FOR THE FISCAL YEAR ENDED MARCH 31, 2002 | PUBLISHED IN SEPTEMBER 2002

MINISTRY OF FINANCE ANNUAL REPORT

Alberta
FINANCE

Ministry of Finance Annual Report 2001-02

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PREFACE

PUBLIC ACCOUNTS 2001-02

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the Annual Report of the Government of Alberta and the annual reports of each of the 24 ministries.

The Annual Report of the Government of Alberta, released June 25, 2002, contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the Government's Business Plan, including the *Measuring Up* report.

This Annual Report of the Ministry of Finance contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry Annual Report also includes:

- **the financial statements of entities making up the Ministry including the Department of Finance, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and the *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report,**
- **financial information relating to trust funds, and**
- **the report of the auditor of the Office of the Auditor General, which is included in the Annual Report of the Auditor General, is incorporated in the Public Accounts by reference.**

MINISTER'S ACCOUNTABILITY STATEMENT

The Ministry's Annual Report for the year ended March 31, 2002, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 10, 2002, with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Patricia Nelson
Minister of Finance

September 10, 2002

MESSAGE FROM THE MINISTER

In presenting the 2001-02 Alberta Finance Annual Report I recognize that the past fiscal year had both challenges and highlights. We faced a rapid and steep decline in energy prices, a weak global economy and terrorist activities that deeply impacted our society. In spite of these situations Alberta experienced the highest economic growth, the highest disposable income and the strongest population growth in Canada. We also enjoyed the lowest unemployment rate in two decades.

October 2001 saw a rapid decline in the global economy. We found it necessary to take corrective actions to ensure core services were maintained and that the budget remained balanced for the eighth consecutive year. We did this by announcing a freeze on hiring and discretionary spending as well as the deferral of some infrastructure projects. These measures allowed the Government to stay on solid fiscal footing and maintain its commitments to Albertans.

A strong fourth quarter allowed some of the deferred projects to be restored and in 2001-02 spending on the Province's infrastructure came in at more than $3 billion. We were also able to apply money to debt repayment. With this year's allocation the debt effectively sits at $5.3 billion and is ten years ahead of the legislated schedule.

Lower debt means lower debt servicing costs, which benefits us today and benefits future generations. Since 1994-95, annual debt servicing costs have been reduced by $1.2 billion which means there are more dollars available for Albertans' priority areas including health, education and social programs.

The past fiscal year was also the first full year of the single rate personal income tax plan. In 2001, Albertans saved $1.1 billion in provincial income tax and the total tax load on Albertans continues to be the lowest in Canada. There were also business tax reductions implemented on April 1, 2001 that saw Alberta businesses save $286 million. These savings in taxes continue to enhance the Alberta Advantage and help create job opportunities and a higher standard of living.

The strength of Alberta's fiscal plans continues to be recognized. In 2001, Alberta received a triple A credit rating on domestic debt from Moody's Investor Services, Standard and Poor's and Dominion Bond Rating Service. In addition, Alberta has recently had its foreign currency debt rating upgraded to triple A. With the highest credit rating in Canada these endorsements recognize Alberta's strength as a fiscal leader and one of the best places in Canada to live, work and do business.

Despite the challenges faced last year we managed to realize many successes. This is a tribute to the dedication and hard work that was put in by the staff of the department. In preparing the fiscal plans, budgets, quarterly updates, annual reports and three-year business plans, Alberta Finance continues to provide sound fiscal planning and open and accountable reporting.

We also look to new, innovative ideas that will help us improve. In the coming year, our focus will be on addressing revenue volatility, improving the financial management procedures of the Province and meeting the needs of this government and the people of Alberta.

Patricia Nelson
Minister of Finance

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Finance. Under the direction of the Minister, I oversee the preparation of the Ministry's Annual Report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board and the Minister of Finance any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act.*

The Ministry of Finance includes:

- *Department of Finance*
- *Alberta Automobile Insurance Board*
- *Alberta Insurance Council*
- *Alberta Municipal Financing Corporation*
- *Alberta Pensions Administration Corporation*
- *ATB Financial and its subsidiary*
- *Credit Union Deposit Guarantee Corporation*
- *Gainers Inc.*
- *N.A. Properties (1994) Ltd.*
- *S C Financial Ltd.*
- *The Alberta Government Telephones Commission*

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

Peter Kruselnicki, P. Eng.
Deputy Minister of Finance

September 10, 2002

OVERVIEW

OVERVIEW

The Ministry of Finance oversees government performance measurement, financial management and reporting. Alberta Finance is responsible for fiscal planning, intergovernmental fiscal arrangements, tax policy, economic analysis, statistics, public pensions, and regulation of government administration, financial institutions, insurance and private pension plans.

ALBERTA FINANCE'S MISSION (CORE BUSINESSES)

1. Manage financial assets and liabilities prudently.
2. Facilitate sound fiscal planning and decision-making.
3. Foster an effective accountability framework.
4. Foster access to comprehensive and competitive financial products and services, and pension plans.
5. Administer the regulatory framework to reduce the risk of financial loss to pension plan members, depositors and policy holders.

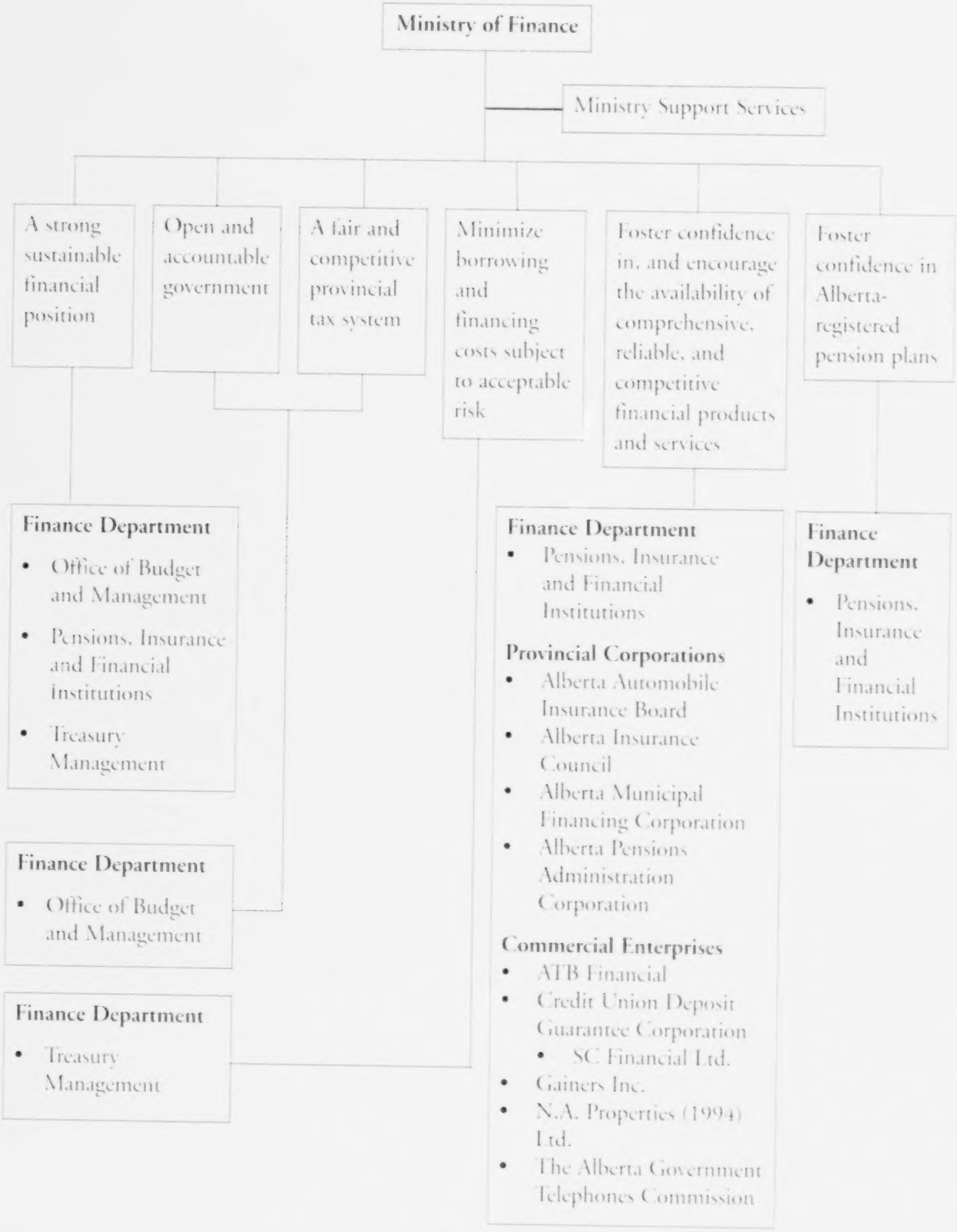
ALBERTA FINANCE'S GOALS FOR 2001-04

1. A strong sustainable financial position.
2. Open and accountable government.
3. A fair and competitive provincial tax system.
4. Minimize borrowing and financing costs subject to acceptable risk.
5. Foster confidence in, and encourage the availability of comprehensive, reliable and competitive financial products and services.
6. Foster confidence in Alberta-registered pension plans.

ALBERTA FINANCE'S VISION

Working together to provide renowned and innovative financial leadership.

RELATIONSHIP OF FINANCE DEPARTMENT AND REPORTING ENTITIES TO GOALS


Ministry of Finance
Ministry Support Services
A strong sustainable financial position
Open and accountable government
A fair and competitive provincial tax system
Minimize borrowing and financing costs subject to acceptable risk
Foster confidence in, and encourage the availability of comprehensive, reliable, and competitive financial products and services
Foster confidence in Alberta-registered pension plans
Finance Department
• Office of Budget and Management
• Pensions, Insurance and Financial Institutions
• Treasury Management
Finance Department
• Office of Budget and Management
Finance Department
• Treasury Management
Finance Department
• Pensions, Insurance and Financial Institutions
Provincial Corporations
• Alberta Automobile Insurance Board
• Alberta Insurance Council
• Alberta Municipal Financing Corporation
• Alberta Pensions Administration Corporation
Commercial Enterprises
• ATB Financial
• Credit Union Deposit Guarantee Corporation
• SC Financial Ltd.
• Gainers Inc.
• N.A. Properties (1994) Ltd.
• The Alberta Government Telephones Commission
Finance Department
• Pensions, Insurance and Financial Institutions

ALBERTA FINANCE'S OPERATIONAL STRUCTURE

OFFICE OF BUDGET AND MANAGEMENT

The Office of Budget and Management (OBM) manages the provincial budget and business plan review and approval process, prepares economic and fiscal forecasts, and provides research, analysis and recommendations on the Province's fiscal, economic and taxation policies. OBM is responsible for intergovernmental fiscal relations and for providing statistical information about the Province. It also proposes and prepares accounting and financial control policies, budget documents, quarterly budget updates, annual financial statements and performance measurement reports.

TREASURY MANAGEMENT DIVISION

The Treasury Management Division (TMD) has responsibility for the Province's on-going cash management including short-term borrowing and investments, management of banking and cash forecasting, and arranging short and long term financing for the government and provincial corporations. TMD is also responsible for managing investment of the assets of the General Revenue Fund set aside to retire debt, monitoring and managing loans and guarantees and providing financial advice to other government departments.

PENSIONS, INSURANCE AND FINANCIAL INSTITUTIONS

The Pensions, Insurance and Financial Institutions Division (PIFI) is responsible for the regulation of financial institutions, insurance and private sector pension plans. It also provides policy support and analysis to the Minister of Finance for those areas of responsibility, as well as on public sector pension plans and the Canada Pension Plan. The Division is also responsible for five other entities that report to the Minister of Finance:

- The Automobile Insurance Board investigates matters regarding automobile insurance in Alberta and approves rates charged by insurers for compulsory automobile coverage under the *Motor Vehicle Administration Act*. The entity's Annual Report can be obtained by contacting the local Edmonton office.
- The Alberta Insurance Council (AIC) is responsible for examining, licensing, regulating and disciplining insurance agents, brokers and adjusters in Alberta and for investigating consumer complaints against the industry. The Annual Report for AIC is available from their internet site shown at the right.

DEPARTMENT OF FINANCE

9515 - 107 St.
Edmonton, Alberta
T5K 2C3
www.finance.gov.ab.ca

AUTOMOBILE INSURANCE BOARD

#407, 9515 - 107 St.
Edmonton Alberta
T5K 2C3
780-427-5428

ALBERTA INSURANCE COUNCIL

901 TD Tower
10088 - 102 Ave.
Edmonton, Alberta
T5J 2Z1
www.abcouncil.ab.ca

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

18th floor
10130 - 103 St.
Edmonton, Alberta
T5J 3N9
www.cudgc.ab.ca

ALBERTA PENSIONS ADMINISTRATION CORPORATION

3rd Floor
10611 - 98 Ave.
Edmonton, Alberta
T5K 2P7
www.apaco.ab.ca

ATB FINANCIAL

9888 Jasper Ave.
Edmonton, Alberta
T5J 1P1
www.atb.com

ALBERTA MUNICIPAL FINANCING CORPORATION
4th Floor
9515 - 107 St.
Edmonton, Alberta
T5K 2C3
www.finance.gov.ab.ca/amfc

- The Credit Union Deposit Guarantee Corporation (CUDGC) regulates business practices of Alberta credit unions and guarantees deposits according to legislation. While the Government of Alberta provides the guarantees, CUDGC strives to maintain the Deposit Guarantee Fund at a level that will enable the corporation to independently provide the 100% deposit guarantee. The corporation provides advice to Alberta credit union boards and management to help improve their skills. CUDGC also works with the credit unions to help them avoid unsound business practices or other problems. The Annual Report for CUDGC is available from their internet site shown on the left.
- The Alberta Pensions Administration Corporation (APA) provides pension services to boards, employers, members and pensioners of Alberta public sector pension plans. Those pension services consist of the collection of pension contributions, maintenance of member accounts, payments of pension benefits and provision of information. Services are provided to 471 employers and approximately 136,000 active members, 27,000 deferred members and 52,000 pensioners. The combined assets of the pension plans were approximately $17 billion at December 31, 2001. APA's Annual Report is available from their internet site shown on the left.
- ATB Financial is a $12-billion, full-service financial institution based in Edmonton, Alberta. As a leading financial services provider to individuals, small business and the agri-industry in Alberta, it serves half a million Albertans in 240 communities through various branches, agencies, and a 180-seat Customer Contact Centre. Having the largest financial institution representation in the Province, it is a preferred choice for many rural Albertans in smaller communities, and is an important alternative for a growing number of people in the major cities of Edmonton and Calgary. ATB's Annual Report is available from their internet site shown on the left.

ALBERTA MUNICIPAL FINANCING CORPORATION

Alberta Municipal Financing Corporation (AMFC) provides financing for 15 cities, 4 specialized municipalities, 221 towns and villages, 40 counties, 24 municipal and improvement districts, 22 irrigation and water services commissions, 28 health authorities, 68 school districts/divisions, 1 airport authority, 3 universities and 11 colleges. AMFC's Annual Report is available from their internet site shown on the left.

ACTS ADMINISTERED BY ALBERTA FINANCE

AS AT MARCH 31, 2002

- Alberta Municipal Financing Corporation Act
- Alberta Taxpayer Protection Act
- Alberta Treasury Branches Act
- Appropriation Act, 2001
- Appropriation (Supplementary Supply) Act, 2001 (No. 2)
- Appropriation (Supplementary Supply) Act, 2002
- Appropriation (Interim Supply) Act, 2001
- Balanced Budget and Debt Retirement Act
- Civil Service Garnishee Act
- Credit Union Act
- Employment Pension Plans Act
- Farm Credit Stability Act
- Financial Administration Act (except sections 11, 12, and 76, and Part 5)
- Financial Consumers Act
- Fiscal Responsibility Act
- Government Accountability Act
- Insurance Act
- Loan and Trust Corporations Act
- Members of the Legislative Assembly Pension Plan Act
- Municipal Debentures Act
- Pension Fund Act
- Public Sector Pension Plans Act
- Small Business Term Assistance Act
- Statistics Bureau Act
- Telecommunications Act - Part 1

The following Acts are the combined responsibility of the Ministers of Finance and Revenue:

- Alberta Corporate Tax Act (except section 26.41)
- Alberta Income Tax Act
- Alberta Personal Income Tax Act
- Financial Administration Act - sections 11 and 12, and Part 5

- Fuel Tax Act (except sections 12(3), (4), (5), 34(c), 37(2), 42 and 51(l) (j) and (aa))
- Hotel Room Tax Act
- Securities Act
- Tobacco Tax Act

The following Acts are the combined responsibility of the Ministers of Finance and Revenue and other Ministers as noted:

- Alberta Corporate Tax Act - Section 26.41 (joint with the Minister of Energy)
- Fuel Tax Act - Sections 12(3), (4), (5), 34(c), 37(2), 42 and 51(l) (j) and (aa) (joint with the Minister of Agriculture, Food and Rural Development)

SUMMARY OF KEY ACTIVITIES

- In 2001-02, Alberta faced dramatically changing circumstances. Energy prices dropped sharply, world economies weakened and terrorist actions sent shock waves throughout society. In a managed response to the rapid global economic slowdown, corrective actions were taken in October 2001 to ensure that the budget remained balanced and core public services were protected. Some infrastructure spending was deferred and internal efficiencies, including a freeze on hiring and discretionary spending, were implemented.
- As a result of these prudent actions, the budget was balanced for the eighth year in a row and a payment was made to reduce the Province's accumulated debt. As reported in the 2001-02 Government of Alberta Annual Report, the Province ended the year with an economic cushion of $772 million for the year ended March 31, 2002. This was $45 million below the budgeted target of $817 million. This year's debt payment puts us ten years ahead of our legislated 25-year repayment schedule.
- Alberta continues to have the highest credit rating of any Canadian province. In 2001, Alberta had received a triple A credit rating on domestic debt from Moody's Investor Services, Standard and Poor's and Dominion Bond Rating Service. In addition, Alberta has recently had its foreign currency debt rating upgraded to triple A by Moody's and Standard and Poor's.
- Alberta has borrowed at the lowest market spreads of any Canadian province in every year since 1994-95, achieving the target set out in Alberta Finance's 2001-04 Business Plan. Virtually all of the borrowing in recent years has been on behalf of provincial corporations.
- During 2001-02, Albertans received the full benefit of the move to the new single rate personal income tax system. In 2001, Albertans saved $1.1 billion in provincial income tax, bringing total savings since 1998 to $1.5 billion, a 23% reduction. The total tax load on Albertans continues to be the lowest in Canada, at only 55% of the national average.
- In 2001-02, the government reduced business taxes by $286 million. On April 1, 2001, the general income tax rate was cut from 15.5% to 13.5%, the small business rate was reduced from 6% to 5% and the small business threshold was increased from $200,000 to $300,000. The capital tax on financial institutions was eliminated on April 1, 2001 as well.

- Alberta Finance monitors provincially incorporated insurers, Credit Union Central of Alberta (CUCA) and trust corporations to enforce solvency legislation. All provincially incorporated credit unions, trust and insurance companies, and CUCA met the solvency requirements in 2001-02. No financial failures were recorded.
- ATB Financial's forecast of net income for the year was $151.5 million. Actual net income was $157.9 million.

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO KEY PERFORMANCE MEASURES

AUDITOR
GENERAL
Alberta

TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY:

I have performed the following procedures in connection with the Ministry of Finance's key performance measures included in the *2001-02 Ministry of Finance Annual Report* as presented on pages 19, 26, 29 and 32.

1. Information obtained from an independent source was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit, and therefore I express no opinion on the key performance measures included in the *2001-02 Ministry of Finance Annual Report.*

Fred J Dunn, CA
Auditor General

Edmonton, Alberta
August 2, 2002

RESULTS ANALYSIS

RESULTS ANALYSIS

In 2001-02, Alberta faced dramatically changing circumstances. Energy prices dropped sharply, world economies weakened and terrorist actions sent shock waves throughout society. Details of how the Ministry of Finance responded to these challenges are set out in the pages that follow.

REVENUE HIGHLIGHTS

- Internal government transfers fell $61 million in 2001-02, compared to the previous fiscal year. This reflected a decrease in lottery fund transfers.
- Investment income increased $45 million in the 2001-02 fiscal year. This was primarily due to interest earned on additional funds set aside for future debt retirement from the 2000-01 year end surplus.

EXPENSE HIGHLIGHTS

- Overall debt-servicing costs decreased $260 million as a result of debt retirement, gains on interest rate swaps and reduced financing costs in Alberta Municipal Financing Corporation.
- Valuation adjustments decreased by $52 million.
    - In the 2000-01 fiscal year, pension provisions increased significantly as a result of an actuarial valuation of one of the pension plans. In 2001-02, pension provisions returned to normal.
    - The 2000-01 provision for Credit Union assistance was reversed in 2001-02 as a result of the termination of the 1986 Credit Union Deficit Financing Agreement reducing expenses by $31 million.

FINANCIAL RESULTS

Revenues for the Ministry in 2001-02 were $933 million. This was down $16 million or 1.7% from 2000-01.

Expenses in 2001-02 were $1,168 million, down $308 million, or 21% from 2000-01.

The net result was that expenses exceeded revenues by $235 million. The net operating deficit was $154 million less than budgeted.

GOAL 1

A STRONG SUSTAINABLE FINANCIAL POSITION

FISCAL RESPONSIBILITY - A BALANCED BUDGET AND MORE DEBT RETIRED

The Alberta Government balanced its budget for the eighth consecutive year in 2001-02. As reported in the 2001-02 Government of Alberta Annual Report, the Province ended the year with an economic cushion of $772 million. This was $45 million below the budgeted target of $817 million.

Actual revenue of $22 billion fell below budgeted revenue by $646 million primarily due to lower-than-budgeted non-renewable resource revenues and investment income. Corrective actions were taken in October 2001 to ensure that the budget remained balanced and core public services protected. Some infrastructure spending was deferred and internal efficiencies, including a freeze on hiring and discretionary spending, were implemented. As a result, actual total spending was $601 million less than budgeted, excluding pension provisions.

NET RESULTS FOR FISCAL POLICY PURPOSES
ALBERTA'S CONSOLIDATED FINANCIAL STATEMENTS[1]
(millions of dollars)

	1996-97	1997-98	1998-99	1999-2000	2000-01	2001-02
Budget	23	154	165	617	1,213	817
Actual	2,527	2,639	1,026	2,717	6,388	772

[1] Excluding pension provisions

The *Fiscal Responsibility Act* requires that at least 3.5% of budgeted revenue be set aside as an economic cushion and that at least three-quarters of the economic cushion and of any revenue increases during the year be applied to pay down the debt or to other balance sheet improvements.

As the table below shows, at March 31, 2002, accumulated debt less cash set aside for future debt repayment equalled $5.7 billion. 55% of the March 31, 2000 accumulated debt has been repaid, which puts the Province ten years ahead of its legislated 25-year schedule to eliminate accumulated debt.

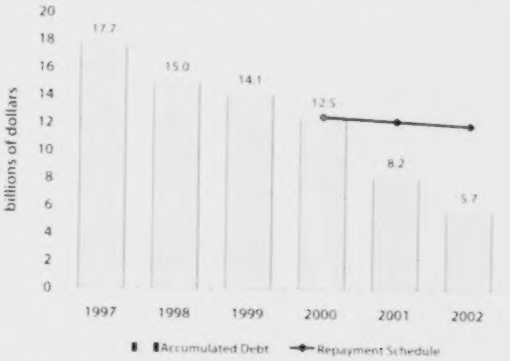
In addition, the government has committed a further $414 million to debt repayment as a result of the higher than expected 2001-02 year-end economic cushion. Including this transfer, accumulated debt less cash set aside will be $5.3 billion.

ACCUMULATED DEBT
(millions of dollars)

	2000-01	2001-02
Accumulated Debt (start of year)	12,490	10,265
Repayment of debt maturities	2,225	1,849
Accumulated Debt (end of year)	10,265	8,416
Cash set aside for future debt repayment	2,070	2,741
Accumulated debt less cash set aside	8,195	5,675
Cash to be transferred in 2002-03		414
		5,261

Key Performance Measure
DEBT RETIREMENT
TARGET: MILESTONES AS SET OUT IN THE FISCAL RESPONSIBILITY ACT
RESULT: 10 YEARS AHEAD OF SCHEDULE

ACCUMULATED DEBT LESS CASH SET ASIDE FOR FUTURE DEBT REPAYMENT, AT MARCH 31



Excludes pension obligations
Cash and accrued revenue set aside for future debt repayment deducted from Accumulated Debt ($2.7 billion cash in 2001-02 and $0.4 billion cash that will be transferred in 2002-03 from the 2001-02 surplus)
Source: Alberta Finance
Methodology: See Key Performance Measures Methodology Appendix (pages 44 to 46)

Alberta has moved from a net debt position of $13.4 billion at March 31, 1994 (includes $5.1 billion in pension obligations) to net assets of $5 billion at March 31, 2002 (after accounting for $4.8 billion in pension obligations). Alberta remains the only province that owns more financial assets than it owes in financial liabilities.

Supplementary Performance Measure
ALBERTA'S CREDIT RATING
TARGET: BEST AMONG PROVINCES / DOMESTIC DEBT RATED AAA
RESULT: BEST AMONG PROVINCES / DOMESTIC PROVINCIAL DEBT RATED AAA

Alberta continues to have the highest credit rating of any Canadian province, ensuring that Alberta's borrowing costs will be the lowest of any Canadian province. During 2001, Moody's Investor Services, Standard and Poor's, and Dominion Bond Rating Service all upgraded Alberta's credit rating to triple A. The rating agencies pointed to the Alberta Government's strong financial position and its record of meeting forecasts and balancing budgets as the key reasons for Alberta's high credit rating.

In addition to the best domestic rating, Alberta has recently had its foreign currency debt rating upgraded to triple A by Moody's and Standard and Poor's as a result of an upgrade of the federal government's domestic and foreign debt by the rating agency.

BUSINESS PLANNING, ECONOMIC AND FISCAL POLICIES, AND FORECASTING

During 2001-02, Alberta Finance worked with Executive Council to lead the government business planning process and co-ordinate the development of the 2002-05 Government Business Plan *The Right Decisions for Challenging Times.* Alberta Finance provides advice and support to the Minister of Finance and Treasury Board and co-ordinates the government's overall budget and business planning and reporting process through:

- developing common economic and financial assumptions for business planning across government,
- developing, with each ministry, program spending options and identifying reallocation opportunities to help ensure that fiscal targets are met,
- reviewing ministries' annual business plan submissions and annual reports,
- coordinating the development of key government-wide performance measures,
- assisting ministries to improve their business plan performance measurement systems,
- providing accounting advice and co-ordinating the development of accounting and financial policies for use across government,
- ongoing monitoring of the government's achievement of business plan and financial goals
- co-ordinating the development of standards for ministry and departmental financial statements and annual reports, and assisting ministries in preparing their financial statements, and
- continuing to explore possible refinements to the business planning process.

FEDERAL-PROVINCIAL FISCAL ARRANGEMENTS

Alberta Finance strives to ensure that the federal government treats Albertans equitably. The Department works with other provinces and develops and presents Alberta's position on federal-provincial fiscal arrangements to the federal government.

For several years, provincial/territorial Premiers and Finance Ministers have called upon the federal government to restore the Canada Health and Social Transfer (CHST) to its 1994-95 level and implement an appropriate escalator. In response, the federal government restored the CHST to $18.3 billion in 2001-02, 98% of its 1994-95 level. While the federal government has not implemented an escalator for the CHST, it has legislated a schedule to increase the CHST to $21 billion by 2005-06, which should keep pace with inflation and population growth. In addition, all new CHST funding is on an equal per capita basis for all provinces and territories.

The enrichment of the CHST transfer and other policy changes has moved Alberta closer to a per capita cash transfer that is equal to all other provinces. In 1998-99, Alberta's per capita cash transfer was 81% of the national average. This increased to 92% in 2001-02 and is expected to continue to increase in coming years.

These are significant moves toward achieving Alberta Finance's targets for federal-provincial fiscal relations. The target of replacing the CHST with a tax point transfer has been dropped as a performance measure in Alberta Finance's 2002-05 Business Plan.

Supplementary Performance Measure
SUSTAINABLE FEDERAL FUNDING THROUGH THE CHST

TARGET: IMMEDIATE RESTORATION OF THE CHST WITH AN APPROPRIATE ESCALATOR
RESULT: CHST RESTORED TO 98% OF ITS 1994-95 LEVEL WITH FUTURE INCREASES

TARGET: ALL NEW CHST FUNDING ON AN EQUAL PER CAPITA BASIS
RESULT: ALL NEW CHST FUNDING ON AN EQUAL PER CAPITA BASIS

TARGET: EQUAL PER CAPITA CASH TRANSFER
RESULT: ALBERTA'S PER CAPITA CASH TRANSFER 92% OF THE NATIONAL AVERAGE

PENSION POLICY

Alberta Finance works with the federal government and the other provinces to ensure the sustainability of the Canada Pension Plan (CPP). The 18th CPP Actuarial Report, tabled in Parliament by the federal Finance Minister in December 2001, confirmed that the CPP is financially sound and that the joint federal-provincial actions taken to ensure the long-term viability of the CPP are working.

The next triennial review of the CPP will commence in 2002-03 to determine if changes are required to the CPP contribution rate and/or benefits. Any changes to the Canada Pension Plan, including legislative amendments, if needed, would be forthcoming at that time.

Alberta Finance is working with Alberta public-sector pension plan boards, employers and employees to maintain a sound financial position for these plans. The Local Authorities, Public Service and Management Employees Pension Plans were fully funded as at the most recent actuarial valuation completed by the plans' actuaries. Alberta Finance continues to work towards the retirement of the pre-1992 unfunded liabilities of the Special Forces and Universities Academic Pension Plans in accordance with the legislative framework currently in place.

Supplementary Performance Measure

PUBLIC SECTOR PENSION PLAN FUNDING STATUS

TARGET: ALL PLANS FULLY FUNDED

RESULT: LOCAL AUTHORITIES, PUBLIC SERVICE AND MANAGEMENT EMPLOYEES PENSION PLANS FULLY FUNDED; SPECIAL FORCES AND UNIVERSITIES ACADEMIC PENSION PLANS ARE ON SCHEDULE TO BE FULLY FUNDED BY THE LEGISLATED TARGET DATE OF 2043

Alberta Finance will continue to work with all public sector pension plan stakeholders to improve the governance, management and administration of these plans.

MANAGEMENT OF ENTERPRISE RISK

The events of September 11, 2001 reinforced the importance of enterprise-wide risk management to the Government of Alberta. Initially, the Ministry sought to better quantify risk. Following September 11, the scope was broadened and Alberta Finance has assumed a leadership role in researching and ultimately developing an enterprise-wide risk management framework to be in place by March 2003. Within this framework, individual ministries will be responsible for quantifying and assessing their own risk. Based on the assessments, action plans will be developed to manage risk.

An element of enterprise risk management is the development of a business resumption plan. Organizations must be prepared if they are to resume critical services quickly after a catastrophic event. All ministries are required to prepare a business resumption plan for their respective ministries and must report on the progress made in each fiscal year. Alberta Finance is committed to having a business resumption plan for the Department in place by March 31, 2003.

NON-CORE FINANCIAL ASSETS AND LOAN GUARANTEES

The Ministry of Finance is responsible for the divestiture of non-core financial assets and the elimination of contingent liabilities under administration. The Ministry is also overseeing the windup of certain provincial corporations under administration. These include the Alberta Government Telephones Commission, Gainers Inc., and N.A. Properties (1994) Ltd. These entities do not carry on any active business. Total non-core financial assets dropped to $12 million from $13 million the previous year, primarily due to the repayment of loans.

Supplementary Performance Measure
VALUE OF NON-CORE FINANCIAL ASSETS
TARGET: ZERO / ASSETS SOLD AT FAIR MARKET VALUE
RESULT: A REDUCTION TO $12 MILLION IN NON-CORE FINANCIAL ASSETS / NO ASSETS SOLD

The Ministry continues to work on outstanding contingent liabilities. Liabilities arising from outstanding guarantees administered by the Ministry fell from $136 million to $77 million as guarantees matured.

Supplementary Performance Measure
VALUE OF CONTINGENT LIABILITIES UNDER LOAN GUARANTEES
TARGET: ZERO, EXCLUDING ON GOING PROGRAMS
RESULT: A REDUCTION TO $77 MILLION IN OUTSTANDING GUARANTEES

CONSOLIDATED CASH INVESTMENT TRUST FUND

The time weighted rate of return on the Consolidated Cash Investment Trust Fund (CCITF) was 4.03% and the return on its benchmark, the Scotia McLeod 91 day T-Bill Index, was 3.71% for the fiscal year ended March 31, 2002. The difference between the two was 32 basis points. The CCITF is a relatively liquid investment as the money in the Fund must be easily accessible to the various depositors. The benchmark has an average term to maturity of approximately 100 days on very high-grade securities. The Ministry has consistently met this target and, for 2002-03, the target return has been set at the Scotia MacLeod 91 T-Bill index plus ten basis points.

Supplementary Performance Measure
RATE OF RETURN ON THE CONSOLIDATED CASH INVESTMENT TRUST FUND
TARGET: SCOTIA MCLEOD 91 DAY T-BILL INDEX
RESULT: EXCEEDED BY 32 BASIS POINTS

GOAL 2

OPEN AND ACCOUNTABLE GOVERNMENT

Alberta continues to be the leader among Canadian governments in financial reporting. Alberta Finance provides Albertans with regular reports on performance measures and financial results.

The *Government Accountability Act* requires the government to publish, in the annual budget, three-year budget and business plans that identify goals, objectives and financial plans of the government and individual ministries. The Act also requires that the government provide quarterly financial and activity updates, which give Albertans details on where the money goes. Each quarter there is a list of some of the most important and interesting achievements that are either published, initiated or completed by the government during the quarter. The Act also requires an annual report on both financial and performance results. Alberta Finance co-ordinates the preparation of these publications.

Other laws require balanced budgets, elimination of Alberta's accumulated debt, prudent economic cushions, controls on in-year spending increases, improved accountability for results, taxpayer protection and an end to special government loans and loan guarantees to businesses.

CONSOLIDATED BUDGETS AND BUSINESS PLANS

Alberta publishes consolidated budgets and business plans for all government entities. *Budget 2001* included the 2001-04 Fiscal Plan and Business Plan, an Economic Outlook, and descriptions of both the Alberta Advantage and Alberta Tax Advantage. It established goals and measures for each of the government's core businesses: People, Prosperity and Preservation. A comprehensive set of strategies and actions to achieve these goals was outlined in the business plans of individual ministries.

The Government of Alberta Business Planning Working Group was formed to promote consistency and continuous improvement in the quality of the Government of Alberta ministry business plans. The Working Group will recommend improvements to the business plan process and documentation. For the 2003-06 business planning process, The Working Group will develop business plan guidelines and a phased-in approach to implementation within the ministries.

As required by the *Government Accountability Act*, the 2001-02 Annual Report of the Government of Alberta, *The Future: Meeting Priorities Sharing Benefits*, which was published June 2002, provided an accounting of government-wide financial results and performance measures in comparison to the plans set out in *Budget 2001*. Ministry measures are provided in the annual report of each ministry, which also must include ministry consolidated financial statements and financial statements of each of the funds and provincial agencies comprising the ministry.

MEASURING AND REPORTING THE GOVERNMENT'S PERFORMANCE

The 2001-02 Annual Report of the Alberta government also included *Measuring Up*, the eighth annual report of the performance of the Government of Alberta. The report provides the public and the Legislative Assembly with an accountability document that compares results achieved to targets set out in the Government Business Plan, part of the budget tabled in the previous spring. The *Measuring Up* document also details the strategies the government is pursuing to achieve its goals.

Measuring Up contains core measures that relate to 19 specific government goals in areas such as health, education, the economy and the environment. The report also contains an update on progress being made on four particular cross-ministry initiatives, which the government singles out each year as requiring a corporate focus to be addressed effectively.

Tracking and reporting results makes it possible for policy makers to improve the quality of programs and services for Albertans and assists in making choices about whether to revise, retain or abandon existing programs.

ALBERTA FINANCE'S INTERACTION WITH MINISTRIES

Alberta Finance provides leadership in accountability for financial management. Ministries have the responsibility for internal controls and for reporting financial results and business outcomes at the ministry level. Alberta Finance monitors and advises on the maintenance of financial controls.

Alberta Finance also prepares the Province's consolidated financial statements, based upon the ministries financial statements. Alberta Finance has overall responsibility for setting government accounting policies, involving the ministries in the development of these policies and standards. Ministries are responsible for managing their financial affairs in accordance with these policies.

MEASURING ALBERTA FINANCE'S PERFORMANCE

This past year, Albertans and their government faced unexpected challenges. Economic growth slowed more sharply than expected across North America and the world. Alberta farmers faced the worst drought in 130 years. Energy prices dropped dramatically, cutting resource revenue by 41% from the previous year and over 17% from the budget. The events of September 11 shocked Albertans and sent reverberations throughout the economy and society as a whole.

The government responded to these developments by focusing dollars where they were needed the most. Discretionary spending was frozen and some one-time initiatives were deferred to protect programs and maintain a balanced budget. In March 2002, improving revenues allowed some of the deferred infrastructure funding to be reinstated.

Throughout the fiscal year, Alberta Finance attempted to keep the public informed of the Province's financial picture, as budgets were adjusted in response to declining revenues. The message was clear – Albertans have told the government that it cannot run a deficit.

The awareness survey that was taken in March and early April 2002 shows that the public's understanding of our actual financial performance has dropped from 70% in 2000-01 to 53% in 2001-02. It may be that the required mid-year fiscal adjustments created uncertainty among Albertans as to whether the government would be able to keep the budget balanced.

Key Performance Measure
ALBERTANS AWARE OF THE GOVERNMENT'S FINANCIAL PERFORMANCE
TARGET: 80% AWARE
RESULT: 53% AWARE
SOURCE: ALBERTA FINANCE
METHODOLOGY: SEE KEY PERFORMANCE MEASURES METHODOLOGY APPENDIX (PAGES 44 TO 46).

Alberta Finance undertakes client satisfaction surveys annually. One survey measures the satisfaction of deputy ministers with the government's accountability system. 95% of the responding deputies were very satisfied or satisfied, 5% below Alberta Finance's target of 100% very satisfied or satisfied.

Supplementary Performance Measure
SATISFACTION OF DEPUTY HEADS WITH THE GOVERNMENT'S ACCOUNTABILITY SYSTEM
TARGET: 100% SATISFIED OR VERY SATISFIED
RESULT: 95% SATISFIED OR VERY SATISFIED

CONSULTING WITH ALBERTANS

The Alberta Future Summit 2002 was a province-wide consultation designed to give citizens a voice in planning for Alberta's future. The *Report to Government* from the Alberta Future Summit 2002 was delivered to government and released publicly on May 30, 2002.

Delegates used the input from the initial Future Summit consultations as their starting point for drafting strategic directions and ideas for action. Albertans identified seven areas as priorities. One of these areas is fiscal responsibility. These are a few of the strategies the Future Summit delegates proposed in order to achieve fiscal responsibility.

- Maintain responsible, no-deficit budgeting practices,
- Eliminate debt, and
- Make government accountable and improve transparency of government.

FINANCIAL MANAGEMENT COMMISSION

The Financial Management Commission was formed in March 2002 to review Alberta's fiscal situation and make recommendations for future policies. The report was delivered to the Minister of Finance at the end of June and was released publicly on July 8, 2002. The Commission had a broad mandate to explore the Province's finances and recommend possible improvements to the Minister of Finance. The Financial Management Commission's Terms of Reference included a review of current accounting principles used to prepare the Province's financial statements, quarterly updates and fiscal plans and report on transparency, timeliness and ease of use.

AUDITOR GENERAL'S SATISFACTION WITH THE GOVERNMENT'S ACCOUNTABILITY SYSTEM

The Alberta Government has accepted, or accepted in principle, 46 of the 50 numbered recommendations in the Auditor General's 2000-2001 Annual Report. One recommendation is partially accepted and three are under review. The Auditor General's recommendations mainly relate to strengthening accountability and improving performance. The government takes the Auditor General's recommendations seriously and is committed to continuous improvement in these areas. The Office of the Auditor General had the following comments:

- "As I have often said, the Alberta government has led the senior government sector in Canada in promoting and implementing transparency in government. It has advanced accountability, performance measurement and financial reporting."

- "The Province continues to lead senior governments in Canada in the timely release of annual audited financial results and in reporting on performance measures."

The Auditor General has recommended the Ministry of Finance make the following changes relating to its business practices:

- Again recommend changes to the corporate government accounting policies in order to improve accountability.

✓ Accepted in principle. The government's corporate accounting policies continue to be reviewed on an ongoing basis, in consultation with ministries and the Office of the Auditor General. Changes are implemented where Treasury Board considers accountability can be improved.

- Again recommend promoting the benefits of quality financial reporting throughout the fiscal year.

✓ Accepted. Improving the quality of financial reporting throughout the year is an ongoing process. Ministries, Alberta Finance and the Office of the Auditor General continue to review ways to resolve problems regarding the year-end audit process.

- Again recommend enhancing the background information and results analysis included in *Measuring Up*.

✓ Accepted. *Measuring Up 2002* will continue to improve the discussion of results achieved in relation to the goals, strategies and targets.

- Again recommend identifying for the Legislative Assembly the expected and actual results from the social and economic development within the tax collection system.

✓ Under review. In light of the Auditor's repeated recommendation, the government will review the recommendation and consider alternatives for possible implementation in Budget 2003.

GOAL 3

A FAIR AND COMPETITIVE PROVINCIAL TAX SYSTEM

Taxes affect our everyday lives. A balance must be maintained between what income we get to keep and what we must pay for the public services we receive. Albertans continue to pay the lowest taxes in Canada while still enjoying excellent public services that contribute to their quality of life.

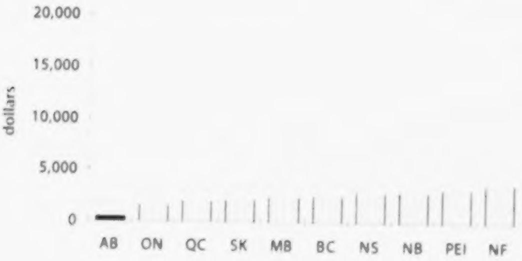
LOW TAXES ON FAMILIES

In 2001, the government implemented significant improvements to personal and business taxes. As a result of these changes, Albertans enjoy a fair tax system today that provides for economic growth tomorrow. We have lower, simpler, fairer and more competitive taxes.

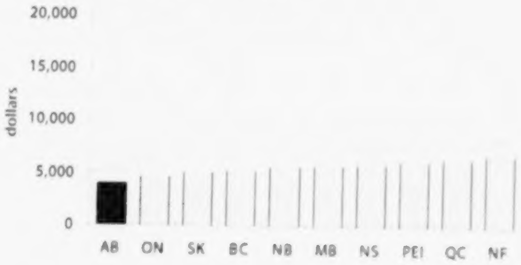
Key Performance Measure
PROVINCIAL TAX LOAD FOR A FAMILY OF FOUR
TARGET: LOWEST IN CANADA
RESULT: LOWEST IN CANADA
SOURCE: ALBERTA FINANCE
METHODOLOGY: SEE KEY PERFORMANCE MEASURES METHODOLOGY APPENDIX (PAGES 44 TO 46).

Alberta continues to have the lowest provincial tax load in Canada for a family of four. The graphs below compare taxes at various income levels across the country. While the new tax system reflects lower taxes overall, it is fairer to one-income families. By taxing all income at a single rate and setting the basic and spousal exemptions at the same amount, it reduces the difference in tax paid by one- and two-income families.

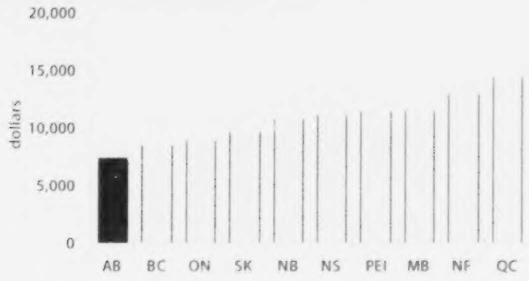
ONE INCOME FAMILY EARNING $30,000



TWO INCOME FAMILY EARNING $60,000



TWO INCOME FAMILY EARNING $100,000



Source: Alberta Finance.
Note: Assumptions for the calculation can be found in Budget 2002, p 122.
Calculations are based on tax parameters known at February 26, 2002.
Provincial income tax in Quebec is net of the federal abatement.

During 2001-02, Albertans received the full benefit of the move to the new single-rate personal income tax system. In 2001, Albertans saved $1.1 billion, bringing total savings to $1.5 billion since 1998. This means that on average, Albertans paid 23% less in provincial income tax than in 1998.

The total tax load on Albertans continues to be the lowest in Canada. In 2001-02, Albertans continued to pay the lowest total taxes thus meeting the target of one of the Ministry's key performance measures.

Alberta's provincial tax load on persons, at 55.2 % of the national average, was the lowest in Canada and 36.6 percentage points below second place British Columbia. As well, Alberta continues to remain the only province with no provincial sales tax. The low taxes and strong economy attracted almost 27,000 inter-provincial migrants to Alberta in 2001, mostly from British Columbia, Saskatchewan and Ontario.

Supplementary Performance Measure
PERSONAL TAX LOAD
TARGET: LOWEST IN CANADA
RESULT: LOWEST IN CANADA

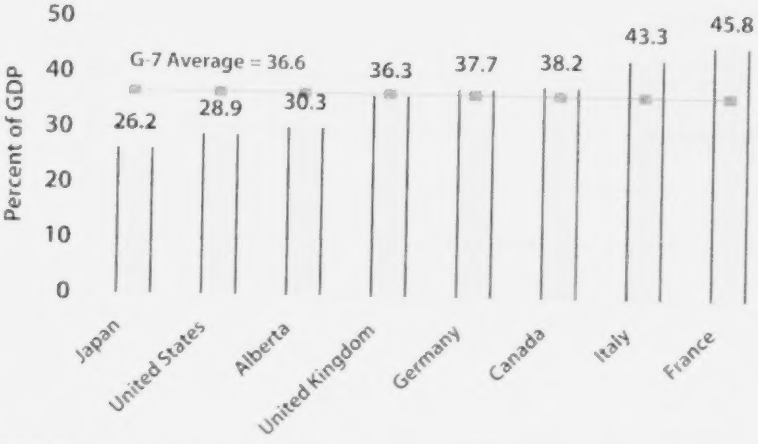
Alberta's overall low taxes and resulting strong economic performance creates well paying jobs for Albertans. In 2001, the Alberta economy created 43,900 new jobs for a total of 1.64 million jobs. Job gains were greatest in the mining, construction and professional, scientific and technical services sectors. Alberta's average annual employment participation rate of 72.3% in 2001-02 was the highest in Canada.

Supplementary Performance Measure
EMPLOYMENT PARTICIPATION RATE
TARGET: HIGHEST IN CANADA
RESULT: HIGHEST IN CANADA

The following graph compares Alberta's total tax load as a percentage of GDP to the tax loads of the G-7 countries. The tax load in each jurisdiction includes all applicable municipal, provincial/state, federal and supranational taxes, and social security levies. Alberta's tax load is six percentage points lower than the G-7 average.

Supplementary Performance Measure
TOTAL TAX LOAD
TARGET: 29.0% OF ALBERTA GDP
RESULT: 30.3% OF ALBERTA GDP IN 1999

G7 TOTAL TAX LOAD
(1999)



SOURCE: THE ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT REVENUE STATISTICS; STATISTICS CANADA; ALBERTA FINANCE

LOW TAXES ON BUSINESS

In 2001-02 Alberta's provincial tax load on business continued to be the second lowest in Canada. While it did not meet the target (lowest in Canada) it is only slightly behind first place Nova Scotia and is significantly better than our key competitors (Ontario and British Columbia). Our low business taxes continue to encourage new business start-ups and extra-provincial businesses continue to migrate to our province.

Key Performance Measure
PROVINCIAL TAX LOAD* ON BUSINESS
TARGET: LOWEST TAX LOAD IN CANADA
RESULT: SECOND LOWEST IN CANADA

	2000-01
Nova Scotia	79.6
Alberta	84.1
Prince Edward Island	84.6
Ontario	94.5
New Brunswick	98.4
Quebec	99.3
Manitoba	118.7
British Columbia	123.2
Newfoundland	142.8
Saskatchewan	187.5

* Includes business income taxes, capital taxes, and insurance corporation taxes
Tax load relative to provincial average=100

Source: Federal Department of Finance, Third Estimate for 2001-02, February 2002; Alberta Finance
METHODOLOGY: SEE KEY PERFORMANCE MEASURES METHODOLOGY APPENDIX (PAGES 44 TO 46).

In 2001-02, the government reduced business taxes by $286 million. On April 1, 2001, the general income tax rate was cut from 15.5% to 13.5%, the small business rate from 6% to 5% and the small business threshold was increased from $200,000 to $300,000. The capital tax on financial institutions was eliminated on April 1, 2001 as well. The government announced a schedule for further cuts, subject to affordability.

In *Budget 2002*, the government modified the planned schedule as a result of the fiscal situation. Effective April 1, 2002, the general income tax rate was reduced to 13%, the small business rate was reduced to 4.5% and the small business threshold was increased to $350,000. The government still intends to reduce the general income tax rate to 8% but has slowed down the pace of planned reductions to ensure that they are affordable and sustainable.

REVISED IMPLEMENTATION SCHEDULE FOR THE BUSINESS TAX PLAN
(Effective April 1st each year)

	2001-02	2002-03	2003-04	2004-05
General rate* (%)	13.5	13.0	12.5	11.5
Small business rate (%)	5	4.5	4	3
Small business threshold ($)	300,000	350,000	400,000	400,000
Capital gains inclusion rate (%)	50	50	50	50
Railway fuel tax (c/litre)	1.5	1.5	1.5	1.5
Capital tax	Eliminated	–	–	–
Cumulative cost of tax cuts ($ millions)	286	367	448	597

* In 2001, the reduction of the general rate eliminated the need for a separate manufacturing and processing rate.

The business tax cuts will continue to stimulate a growing, more diverse tax base and encourage new business start-ups and other businesses to move to our province. In 2001-02 however, business registrations were about flat. It appears that uncertainties caused by the September 11 terrorist attacks and concerns over economic growth contributed to a sharp decline in business registrations in the last half of the 2001-02 fiscal year.

Supplementary Performance Measure
BUSINESS REGISTRATIONS
TARGET: 3.0% GROWTH
RESULT: 0.1% GROWTH

Alberta Finance works with the federal Department of Finance and other provinces to address inter-provincial tax issues. One major initiative is to re-negotiate the personal income tax collection agreements to better reflect the provincial move to tax on income and to provide increased policy flexibility. The tax collection agreements authorize the federal government to collect personal income taxes on behalf of the provinces. The target is to have a new agreement in place by March 2003.

During the course of the past year, Alberta Finance has also been involved in several tax harmonization initiatives with the Ministry of Revenue, the federal government and other provinces. Common forms, in the case of the Fuel Tax Uniformity project, and common tobacco definitions on a national basis are just two of the projects that are underway.

The Tri-Party Review Allocation Committee and the Provincial Income Allocation Task Force are two working groups in which the Province has had active involvement. A total of 28 items have been resolved between the two groups.

Phase 1 of the Alberta Indian Tax Exemption program, single identification project, has been implemented. Cards have been issued by Treaty 7 Tribal Council as a pilot. Phase 2 of the project is targeted for 2002-03.

GOAL 4

MINIMIZE BORROWING AND FINANCING COSTS SUBJECT TO ACCEPTABLE RISK

TREASURY MANAGEMENT DIVISION

Treasury Management Division (TMD) has responsibility for the Province's on-going cash management including short-term borrowing and investing, management of banking and cash forecasting, and arranging short and long term financing for the government and provincial corporations. TMD is also responsible for managing funds set aside to retire debt, monitoring and managing loans and guarantees and providing financial advice to other government departments.

RETIREMENT OF DEBT

Approximately $2.7 billion was set aside in 2001-02 and an additional $414 million will be transferred in 2002-03 from the 2001-02 surplus to pay off future debt maturities. Because interest rates on outstanding provincial debt are generally much higher than current rates, the government would be forced to buy back its debt at a significant penalty. The decision was therefore made to invest the cash earmarked for debt repayment and repay outstanding debt only as it matures. The investments must return a higher rate than the market return on the matching Alberta debt on the day the investment is made. If the investments earn a higher return, the Province saves the differential between the investment return and borrowing costs. During 2001-02, the return on debt retirement investments exceeded the market yield on the matching debts by 0.1% (10 basis points), resulting in savings of approximately $3 million over the course of the year.

COST OF BORROWING

During the fiscal year, the Ministry borrowed $470 million for provincial corporations through the use of private placements and other alternative financing vehicles. By utilizing these alternative sources, the Ministry was able to lower commission costs and, in some cases, to construct specialized financing for the provincial corporations that would have been difficult to arrange through the public debt market. The use of these vehicles saved the Province and its corporations an estimated $1.5 million compared to selling the same bonds in the public bond markets.

Supplementary Performance Measure
COST OF DEBT
TARGET: LOWER COST RELATIVE TO COMPARABLE PUBLIC ISSUES
RESULT: $1.5 MILLION SAVED

Alberta's cost of borrowing is determined relative to the federal government's interest rate for the same term. For example, an Alberta five-year bond is priced in the market relative to a Government of Canada five-year bond. The federal government enjoys a lower borrowing cost than any province, including Alberta, owing to its greater taxing power and its sovereign status.

The difference in the interest rate Alberta would pay on a particular term debt compared to what the federal government would pay is known as the market spread. The relative market spreads presented in the table following are a reflection of the Province's sound fiscal and debt management.

Alberta has borrowed at the lowest market spreads of any Canadian province in every year since 1994-95, achieving the target set out in Alberta Finance's 2001-04 Business Plan.

Supplementary Performance Measure
MARKET SPREADS
TARGET: LOWEST AMONG PROVINCES
RESULT: LOWEST AMONG PROVINCES

	5-year Bonds				10-year Bonds			
	Canada (%)	Alberta	B.C.	Ontario	Canada (%)	Alberta	B.C.	Ontario
		(basis point spread)*				(basis point spread)*		
March 31, 1998	5.26	+ 7	+13	+13	5.42	+13	+22	+20
March 31, 1999	5.03	+13	+24	+19	5.09	+19	+33	+27
March 31, 2000	6.08	+15	+21	+19	5.91	+32	+43	+39
March 30, 2001	5.08	+14	+22	+21	5.39	+23	+43	+41
March 29, 2002	5.35	+17	+23	+20	5.78	+17	+35	+28

* A basis point is one one-hundredth of a percentage point.

CREDIT RATING AGENCIES

During the year, Alberta Finance continued efforts to provide quality information to credit rating agencies and investors in Alberta bonds. These initiatives included:

- providing detailed briefings and continuous updates on the Province's financial and economic status to credit rating agencies,
- making presentations to investment banks, life insurance companies and pension funds that invest in Alberta bonds, and
- maintaining a database of investors and analysts throughout the world, who were sent budget highlights, quarterly financial updates and other information to keep them current on Alberta financial issues.

Alberta Finance's goal is to ensure that credit rating agencies understand the Province's financial and economic position. To fulfill this goal, Alberta Finance maintains a continual dialogue with three rating agencies. An annual rating agency survey is undertaken to measure rating agency satisfaction with the usefulness and effectiveness of information on the policy environment, and the economic and financial material provided by Alberta Finance. For 2001-02, the agencies reported being either satisfied or very satisfied with the briefings provided in 98% of the areas covered.

Supplementary Performance Measure
SATISFACTION OF CREDIT RATING AGENCIES
TARGET: 80% SATISFIED OR VERY SATISFIED
RESULT: 98% SATISFIED OR VERY SATISFIED

In the 2001-04 Business Plan, Alberta Finance intended to measure the satisfaction of both credit rating agencies and investors. Subsequently this performance measure has been changed to include only credit rating agencies. Credit rating agencies are significant players in determining debt yield requirements. Investors in provincial bonds are hard to identify and, for the most part, react to credit agencies' ratings.

GOAL 5

FOSTER CONFIDENCE IN, AND ENCOURAGE THE AVAILABILITY OF COMPREHENSIVE, RELIABLE AND COMPETITIVE FINANCIAL PRODUCTS AND SERVICES

FINANCIAL INSTITUTIONS AND INSURANCE ACTIVITIES

Alberta Finance regulates the credit union, insurance, loan and trust industries in Alberta, balancing the interests of stakeholders including depositors, insurance policy holders, investors, insurance intermediaries and the companies themselves. As of February 1, 2002 the offices of Alberta's three financial regulators (financial institutions, insurance and pensions) reorganized into a single office, the Alberta Superintendent of Financial Institutions. The purpose of the reorganization is better use of the resources to serve our clients more efficiently by aligning our structure to reflect the convergence of the financial service sector in Canada.

Alberta Finance monitors provincially incorporated insurers, Credit Union Central of Alberta (CUCA) and trust corporations, and enforces applicable legislation. Alberta Finance's role with respect to deposit insurance is restricted to ensuring that the Credit Union Deposit Guarantee Corporation is capable of fulfilling its guarantee of credit union deposits. All provincially incorporated credit unions, trust and insurance companies, and CUCA met the solvency requirements. No financial failures were recorded for insurance, loan or trust companies, CUCA or credit unions in 2001-02. In addition, all property and casualty insurance companies completed a minimum asset test and a non-legislated capital adequacy test. The results confirm that all companies have the minimum capital requirement.

Supplementary Performance Measure
FINANCIAL INSTITUTIONS MEETING LEGISLATED CAPITAL ADEQUACY REQUIREMENTS
TARGET: 100%
RESULT: 100%

Supplementary Performance Measure
PROPERTY AND CASUALTY INSURERS MEETING LEGISLATED MINIMUM CAPITAL REQUIREMENTS
TARGET: 100%
RESULT: 100%

Alberta Finance has had several discussions with insurance stakeholders concerning escalating automobile insurance premiums. Several proposals have been presented. These proposals will be reviewed during the next year to determine an appropriate response to the concern.

ATB FINANCIAL

On January 21, 2002, a new corporate identity was launched for Alberta Treasury Branches (ATB), now known as ATB Financial. The new corporate identifier retains "ATB" and adds "Financial" to better reflect that ATB provides a broad range of financial services to Albertans. Signage is being replaced on all branches.

In January 2002, a Cooperation and Services Agreement was signed with Rabobank International, the international corporate and investment banking arm of the Dutch-based Rabobank Group, to provide financial services to each others' customers. The alliance will focus on opportunities in the value-added agri-industry and forestry sectors, providing a global reach to ATB's customers doing business outside of Alberta. The agreement also provides an opportunity for joint lending and a referral service for Rabobank agricultural customers who are relocating to Alberta.

New products and services introduced during 2001-02 include the Alberta Gold 4-H MasterCard, a Springboard GIC product and an enhancement to ATB Financial's retail internet banking system. During the year, new branches, branch renovations or relocations occurred in Cochrane, Red Deer South, South Edmonton Common, Calgary Crowfoot, Calgary Brentwood, Fort McLeod, Grande Prairie and Innisfail.

Financial Results

ATB's forecast of net income for the year was $151.5 million. Actual net income was $157.9 million (see table below).

ATB SUMMARY FINANCIAL RESULTS
(millions of dollars)

	2001-02 Actual	2001-02 Target	2000-01 Actual
Net interest income	365.6	377.0	362.0
Other income	101.2	94.2	89.1
Non-interest expenses, including deposit guarantee fee	(287.8)	(288.9)	(268.6)
Loan loss provision	(21.1)	(30.8)	(21.0)
Net Income	**157.9**	**151.5**	**161.5**

Operating revenue totalled $466.8 million for 2001-02, up from last year's $451.0 million. While this growth represented a 3.5% increase, operating revenue fell short of management's projection of 4.0% to 4.5% growth. Total operating revenue for 2001-02 is comprised of net interest income of $365.6 million and other income of $101.2 million.

Other income exceeded ATB Financial's plan, while net interest income was below plan due to lower than expected interest rates. With interest rates at 40-year lows, interest revenue on loans fell more steeply than deposit rates, which were already near zero and, therefore, had less room to fall.

Net interest income was $365.6 million for 2001-02, an increase of $3.6 million or 1.0% over last year's $362.0 million. The modest increase was due to growth in average interest-earning assets (loans to customers, deposits with banks and securities). Growth in revenue due to asset growth was reduced by a lower net interest margin compared to fiscal 2001. The net interest margin of 3.0% is the ratio of net interest income to average total assets. The net interest margin continued to exceed the Canadian industry average of 1.9%. The main reasons for this strong performance are that ATB Financial maintains a strong retail deposit base, and has a smaller share of the corporate market, which tends to yield lower returns.

ATB FINANCIAL - STATISTICS
As at March 31 (per cent)

	Actual 2001-02	Budget 2001-02	Actual 2000-01	Actual 1999-2000	Industry Average*
Operating revenue growth	3.49	4.47	16.91	6.86	8.12
Net interest margin	3.00	3.16	3.26	3.07	1.92
Net interest spread	3.09	3.24	3.35	3.17	2.23
Other income to operating revenue	21.68	20.00	19.75	20.76	52.29
Expenses to operating revenue	61.65	61.31	59.55	64.29	66.52
Return on average assets (before tax)	1.29	1.27	1.46	1.80	0.96
Operating expense growth	7.13	7.55	8.28	1.27	10.10
Net impaired loans to total gross loans	(0.82)	-	(0.49)	(0.36)	0.16
Credit losses to average loans	0.21	0.31	0.22	(0.49)	0.70
Loan growth	8.86	9.23	6.95	11.16	4.24
Deposit growth	4.64	3.84	10.02	10.00	6.93
Asset growth	5.96	5.02	11.67	12.49	10.90

*Average of eight major Canadian banks as at October 31, 2001

ATB Financial's net interest spread was 3.1% for 2001-02, down from last year's spread of 3.4% and a planned spread of 3.2%. The decline from last year was due to the low interest rate environment. The prime lending rate fell by 3 percentage points in Canada in 2001-02. As noted above, interest rates reached their lowest levels in more than 40 years.

Other income was $101.2 million for 2001-02, an increase of 13.6% compared to last year's $89.1 million. This year's increase in other income well exceeded planned growth in the range of 5% to 6%.

This year's increase in other income is primarily attributable to credit fee revenue exceeding the plan. Credit fee revenue increased sharply due to many current customers choosing to take advantage of the low interest rate environment by re-financing their existing fixed rate loans. A growing loan portfolio also contributed to the increase. Gains were also shown in service charge revenue and card fees. Card fee revenue continued to grow as the result of an increased number of card products in circulation as well as a related increase in the number of transactions.

The productivity ratio is the per cent of total revenue that is consumed by non-interest expenses. ATB Financial's productivity ratio was 61.7% for 2001-02, compared with a planned ratio of 61.3% and last year's ratio of 59.6%. The variance from the planned productivity ratio is the result of less-than-planned operating revenue. ATB Financial's productivity ratio compares favourably with the industry.

Non-interest expenses consist of ATB Financial employees' salaries and benefits, the cost of branch buildings and equipment, computer processing and communication charges, a deposit guarantee fee payable to the Province of Alberta and other costs incurred to provide financial services to customers.

Non-interest expenses were $287.8 million for 2001-02, an increase of 7.1% compared to last year's $268.6 million. The majority of the increase in non-interest expenses relates to increased human resource costs to provide competitive performance-based compensation, a full range of employment benefits and comprehensive training and development opportunities. Higher information technology costs reflect increased processing costs related to transaction volume.

ATB Financial recorded loan losses of $21.1 million for 2001-02, up slightly from $21.0 million last year. Average total loans increased to $10.0 billion for 2002 compared to $9.4 billion for 2001. The ratio of the annual charge for credit losses to average total loans, 0.2%, compared favourably to the target ratio of 0.3% and and is about equal to last year's ratio.

Gross impaired loans (before deducting the allowance for credit losses) were $87.3 million in 2001-02, compared with $112.5 million one year ago. The allowance for credit losses exceeded the gross amount of impaired loans by $86.4 million at March 31, 2002 compared with $47.4 million last year.

ANNUAL PROVISION FOR CREDIT LOSSES
Years ended March 31 (thousands of dollars)

	2002	2001	2000	1999	1998
Loans:					
Specific provision for credit losses	$ 5,889	$ 8,959	$ (13,300)	$ (40,671)	$ (98,807)
General provision for credit losses	15,206	12,010	(28,521)	(542)	94,634
Off-balance sheet items:					
Specific provision for guarantees	–	–	–	45,000	–
Annual provision for credit losses	$ 21,095	$ 20,969	$ (41,821)	$ 3,787	$ (4,173)
Annual provision for credit losses as a percentage of average loans	0.21%	0.22%	(0.49%)	0.05%	(0.06%)

Supplementary Performance Measure
PROFITABILITY, EFFICIENCY AND LOAN LOSS RATIOS
TARGET: COMPARABLE TO THE MAJOR BANKS
RESULT: OUTPERFORMED THE INDUSTRY AVERAGE

ATB has surveyed its retail customers relating to overall satisfaction, likelihood to recommend ATB to others, and ATB's performance relative to its competitors. ATB's index of consumer satisfaction was 84 in 2002, up from 77 in 2000. ATB's index of 84 is in line with the average of the five major chartered banks.

ALBERTA PENSIONS ADMINISTRATION CORPORATION

Alberta Pensions Administration Corporation (APA) collects pension contributions, maintains members' accounts, pays pension benefits and provides information to pension boards, employers, members and pensioners of eight different public sector pension plans and two supplementary retirement plans.

During the year surveys were sent out to employers. The response rate was 32%. A member survey (employees) was sent out in December 2001 along with pension estimates, optional service costings and retirement packages. A total of 474 questionnaires went out and 105 were completed and returned, for a 22% response rate.

Responses were tabulated and results reported by a professional research firm. The surveys asked respondents to rate the importance of service areas and also to state their level of satisfaction or dissatisfaction with each area of service. 92% of employers and 95% of employees rated the services of APA to be satisfactory or better.

Supplementary Performance Measure
SATISFACTION OF CLIENT EMPLOYEES AND EMPLOYERS WITH PRODUCTS AND SERVICES
TARGET: 80% SATISFIED OR VERY SATISFIED
RESULT: 92% OF EMPLOYERS AND 95% OF EMPLOYEES SATISFIED OR VERY SATISFIED

In addition to employer and employee surveys, APA surveyed other stakeholders, including a random selection of 2,000 pensioners (1,240 responded) and 43 board members (27 responded) from the five pension boards served by APA. The satisfaction levels were 97% for pensioners and 77% for board members.

ALBERTA MUNICIPAL FINANCING CORPORATION

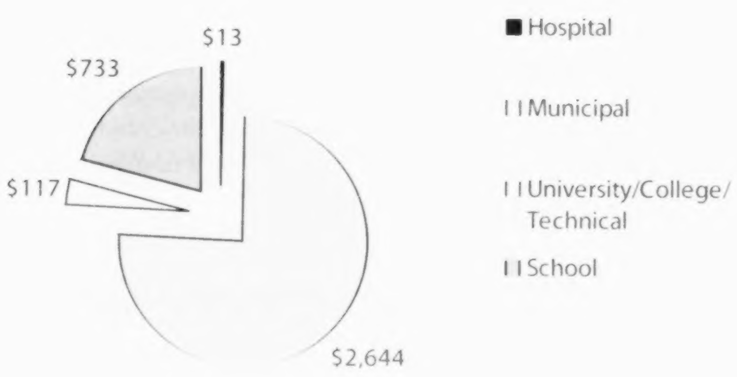
Alberta Municipal Financing Corporation (AMFC) offers a range of borrowing terms to its shareholders at rates comparable to the Province's borrowing costs. The Corporation's goals are to provide local authorities with funding at the lowest possible cost and to maintain the lowest administrative and new loan costs compared to other municipal borrowing corporations. AMFC continues to have the lowest new issue and lowest ongoing administration costs per million dollars of loans compared to similar organizations in Canada. As a result, there is a high degree of satisfaction among AMFC's clients.

Supplementary Performance Measure
LOCAL AUTHORITIES COST OF BORROWING
TARGET: LOWEST IN CANADA
RESULT: LOWEST IN CANADA

Satisfaction relating to the timeliness of the processing of loan applications and the assistance provided on submitted loans was rated very high. This speaks to the quality of service and efficiency by which AMFC operates. Satisfaction is lowest with AMFC's prepayment policy.

Supplementary Performance Measure
SATISFACTION OF LOCAL AUTHORITIES WITH AMFC LENDING POLICIES
TARGET: 80% SATISFIED OR VERY SATISFIED
RESULT: 82.9% SATISFIED OR VERY SATISFIED

ALBERTA MUNICIPAL FINANCING CORPORATION
Loans Outstanding by Purpose as at December 31, 2001 ($millions)



GOAL 6

FOSTER CONFIDENCE IN ALBERTA-REGISTERED PENSION PLANS

EMPLOYMENT PENSIONS

Employment Pensions administers the *Employment Pension Plans Act* (EPPA). The purpose of the Act is to minimize the risk that a pension plan sponsored by an employer or union will not have the required assets to pay pension obligations to pension plan members and to ensure that plans adhere to the requirements regarding benefits. The EPPA requires pension plans to amortize any solvency deficiencies that develop. A solvency deficiency means that the plan would not have sufficient assets to pay out all benefits if the plan were terminated. The employer has up to five years to amortize a solvency deficiency by making special payments in addition to normal contributions. The performance target is that at least 85% of pension plans registered in Alberta will maintain a solvency ratio of 0.9 or better. This means that the market value of assets, at the valuation date, is at least 90% of the value of the plan's liabilities as of that date. The liabilities are calculated as if the plan were terminating and paying out all benefits.

Supplementary Performance Measure
REGISTERED PRIVATE SECTOR DEFINED BENEFIT PENSION PLANS SOLVENCY RATIOS
TARGET: 85% EXCEED 0.9
RESULT: 89.4% EXCEED 0.9

The focus of this program is shifting from routine compliance monitoring to risk management. During the next fiscal year, a new data collection and analysis capability will enable Employment Pensions to use data filed for compliance purposes to help identify plans "at risk." At-risk plans will be subject to more detailed scrutiny, including on-site examinations of the plan's administration. A report will be issued as a result of the on-site review and any identified deficiencies will need to be corrected within a specified time. Two examinations were performed in 2001-02.

APPENDIX: METHODOLOGY USED TO CALCULATE ALBERTA FINANCE'S KEY PERFORMANCE MEASURES

DEBT RETIREMENT

The following table illustrates the calculation of accumulated debt.

ACCUMULATED DEBT
(millions of dollars)

	2000-01	2001-02
Accumulated Debt (start of year)	12,490	10,265
Repayment of debt maturities	2,225	1,849
Accumulated Debt (end of year)	10,265	8,416
Cash set aside for future debt repayment	2,070	2,741
Accumulated debt less cash set aside	8,195	5,675
Cash to be transferred in 2002-03		414
		5,261

The calculation begins with the accumulated debt at the start of the year. This is equal to the audited accumulated debt outstanding at the end of the previous fiscal year. From that figure is deducted the debt that matured during the current fiscal year and was repaid. This results in the accumulated debt that is outstanding at the end of the fiscal year. Also deducted is the cash in the Government Investment Account, which the government has dedicated to paying off debt as it comes due over the next several years. This yields accumulated debt less cash set-aside, which must be paid off by 2024-25, according to the *Fiscal Responsibility Act*.

Finally, the government has committed a further $414 million to debt repayment as a result of the higher than expected 2001-02 year-end economic cushion. Including this transfer, accumulated debt less cash set aside will be $5.3 billion.

ALBERTANS AWARE OF THE GOVERNMENT'S FINANCIAL PERFORMANCE

Environics West, on behalf of the Province, conducted a telephone survey of 1,005 Albertans from March 27 to April 14, 2002. The survey accuracy is ±3.1%, ninety-five times out of a hundred.

Survey respondents were asked "To the best of your knowledge, is Alberta's budget for this year operating at a deficit, that is spending more than it gathers in revenue, or at a surplus, that is spending less than it gathers in revenue?"

In the 2001-02 survey, Albertans responded: 53% surplus (the correct response), 16% deficit, 4% balanced budget, and 27% did not know.

PROVINCIAL TAX LOAD FOR A FAMILY OF FOUR

Calculations are based on applying each province's tax parameters to the individual family financial situations. The tax parameters are those known as of budget day for Alberta or February 26, 2002 for other provinces for personal income tax, provincial sales tax, healthcare premiums, payroll taxes, fuel taxes and tobacco taxes. The families considered are:

1. One income family with two children aged 6 and 12, earning $30,000.
2. Two income family with two children aged 6 and 12, earning $60,000.
3. Two income family with two children aged 6 and 12, earning $100,000.

Other assumptions used in the calculations include:

- For two income families, income and RRSP/RPP contributions are split 60/40 between the two spouses.
- RRSP/RPP contributions are assumed to be $1,000 for the family with $30,000 in income, $7,800 for the $60,000 income family, and $13,500 for the $100,000 income family.
- Business is assumed to bear between 25% and 60% of the provincial sales tax, depending upon the provincial tax regime.
- In provinces that impose payroll taxes, 75% is assumed to be borne by employees and 25% by employers. The same 75/25 split is assumed for healthcare insurance premiums.
- Fuel tax is based on an estimated consumption of 3,000 litres per year for one income families and 4,500 litres for two income families.
- Tobacco tax is based on an estimated consumption of 100 packs per adult per year.

PROVINCIAL TAX LOAD ON BUSINESS

Provincial tax load, or tax effort, compares actual tax revenues generated within a province to the revenue that the province would generate if it taxed at national-average tax rates. Business taxes examined include business income taxes, capital taxes and insurance corporation taxes.

Each year, the provinces report their tax revenues by these categories to the federal government as part of the reporting requirements for the Equalization program. The steps to calculate provincial tax loads are:

1. National-average tax rates are calculated by dividing total national tax revenues by the national tax base. The tax base for business income taxes, for example, is corporate profits.
2. The revenue that the province would generate if it taxed at national rates is equal to the national-average tax rate multiplied by the provincial tax base for each of the tax categories.
3. Provincial tax load is equal to the ratio of actual provincial revenues divided by the results of the previous calculation multiplied by 100.

PERFORMANCE MEASURES IN THE 2001-04 BUSINESS PLAN NOT REPORTED IN THE 2001-02 ANNUAL REPORT

GOAL	PERFORMANCE MEASURE	REASON FOR NOT REPORTING
5	· Satisfaction of financial institutions with the efficiency and fairness of the regulatory environment. Target: 4 out of 5 satisfied or very satisfied. · Meet and exceed customer expectations in ATB's three target markets (independent business, personal and agri-industries lending.	· No survey was carried out in 2001-02 as a result of the merging of the offices of Alberta's three financial regulators. A joint survey of the clients of all three former regulators will be carried out in 2002-03. · Only ATB's retail customers were surveyed regarding their personal lending experience.
6	· Satisfaction of pension plan administrators with the efficiency and fairness of the regulatory environment. Target: 4 out of 5 satisfied or very satisfied. · Satisfaction of plan members with the quality of assistance and information provided; Target: 4 out of 5 satisfied or very satisfied.	· No survey was carried out in 2001-02 as a result of the merging of the offices of Alberta's three financial regulators. A joint survey of all three former regulators will be carried out in 2002-03 · This measure has been dropped. Contact with plan members is sporadic and infrequent. Members normally contact the Plan administrators for questions relating to their respective plans. Measuring satisfaction would be costly since member information is not maintained in the Ministry.

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Finance as at March 31, 2002 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Alberta Finance establishes the corporate government accounting policies and reporting practices including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of financial position. The effect of this is that capital assets are understated by approximately $1,790,000 as at March 31, 2002 and expenses are understated by approximately $100,000 for the year ended March 31, 2002.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn CA
Auditor General

Edmonton, Alberta
May 23, 2002

Consolidated Statement of Operations

YEAR ENDED MARCH 31, 2002

	In thousands		
	2002		2001
	Budget (Schedule 2)	**Actual**	**Actual**
Revenues (Schedule 1)			
Internal government transfers	$ 44,031	$ 153,376	$ 214,291
Other taxes	350	1,014	453
Transfers from Government of Canada	3,883	4,434	3,883
Investment income	569,575	569,177	524,196
Net income from commercial operations	155,264	165,510	167,082
Fees, permits and licences	18,008	18,401	15,781
Other	20,187	20,955	23,088
	811,298	932,867	948,774
Expenses (Schedule 3)			
Ministry support services	4,319	4,348	3,862
Financial management and planning	11,965	12,016	12,694
Pensions administration	19,183	16,295	13,341
Regulation of the insurance industry	1,845	1,836	1,790
Farm credit stability program	1,600	1,506	2,328
Pension liability funding	66,150	67,216	65,346
Valuation adjustments (Schedule 4)	(5,500)	(42,581)	9,281
Debt servicing costs			
General government	663,000	687,081	884,755
Local authorities	357,754	339,426	391,574
School boards	80,480	80,463	90,569
	1,200,796	1,167,606	1,475,540
Net operating results	$ (389,498)	$ (234,739)	$ (526,766)

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Financial Position

MARCH 31, 2002

	In thousands 2002	2001
Assets		
Cash and temporary investments (Schedule 5)	$ 1,461,187	$ 247,647
Accrued interest and accounts receivable (Schedule 6)	319,451	246,727
Portfolio investments (Schedule 7)	2,777,051	2,045,436
Equity in commercial enterprises (Schedule 8)	723,211	542,467
Loans and advances to government entities (Schedule 9)	1,249,518	1,129,438
Other loans and advances (Schedule 10)	3,769,647	3,626,306
Capital assets (Schedule 11)	5,494	2,165
	10,305,559	$ 7,840,186
Liabilities		
Bank overdraft	$ 1,016,212	$ 756,831
Accrued interest and accounts payable (Schedule 12)	572,382	464,840
Unmatured debt (Schedule 13)	8,382,503	9,945,973
Debt of Alberta Municipal Financing Corporation (Schedule 14)	3,430,816	3,442,555
Pension obligations (Schedule 15)	880,898	890,458
Other accrued liabilities (Schedule 16)	782,168	870,829
Equity of Alberta Municipal Financing Corporation (Schedule 14)	127,958	138,741
	15,192,937	16,510,227
Net Liabilities		
Net liabilities at beginning of year	(8,670,041)	(12,446,270)
Net operating results	(234,739)	(526,766)
Net transfer from general revenues	4,017,402	4,302,995
Net liabilities at end of year	(4,887,378)	(8,670,041)
	10,305,559	$ 7,840,186

The accompanying notes and schedules are part of these financial statements.

Consolidated Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 2002

	In thousands	
	2002	**2001**
Operating activities		
Net operating results	$ (234,739)	$ (526,766)
Non-cash items included in net operating results	(97,684)	(51,348)
	(332,423)	(578,114)
Decrease in equity of Alberta Municipal Financing Corporation	(10,783)	(123,052)
Other	54,095	(51,909)
Cash used for operating activities	(289,111)	(753,075)
Investing activities		
Proceeds from disposals, repayments and redemptions of portfolio investments	4,364,365	-
Repayment of loans and advances	491,264	498,661
Portfolio investments purchased	(5,095,962)	(2,109,524)
Loans and advances made	(744,506)	(385,140)
Other	(4,042)	11,702
Cash used for investing activities	(988,881)	(1,984,301)
Financing activities		
Debt issues	7,316,677	12,240,341
Debt retirement	(9,006,546)	(14,307,591)
Grants for school construction debenture principal repayment	(95,382)	(98,912)
Net transfer from general revenues	4,017,402	4,302,995
Cash provided by financing activities	2,232,151	2,136,833
Net cash provided (used)	954,159	(600,543)
Bank overdraft, net of cash and temporary investments, at beginning of year	(509,184)	91,359
Cash and temporary investments, net of bank overdraft, at end of year	$ 444,975	$ (509,184)

The accompanying notes and schedules are part of these financial statements.

Notes to the 2001-02 Ministry of Finance Consolidated Financial Statements

NOTE 1 AUTHORITY

The Minister of Finance has been designated as responsible for various Acts by the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000, and its regulations. To fulfil these responsibilities, the Minister of Finance administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Finance (the Ministry).

Department of Finance (the Department)	Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000
Provincial Judges and Masters in Chambers Reserve Fund	Treasury Board Directive pursuant to the Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000
Supplementary Retirement Plan Reserve Fund	Treasury Board Directive pursuant to the Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000
Alberta Insurance Council	Insurance Act, Chapter I-3, Revised Statutes of Alberta 2000
Alberta Municipal Financing Corporation	Alberta Municipal Financing Corporation Act, Chapter A-27, Revised Statutes of Alberta 2000
Alberta Pensions Administration Corporation	Incorporated under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000
The Alberta Government Telephones Commission and its subsidiaries	Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988
Alberta Treasury Branches and its subsidiary ATB Investment Services Inc.	Alberta Treasury Branches Act, Chapter A-37, Revised Statutes of Alberta 2000
Credit Union Deposit Guarantee Corporation	Credit Union Act, Chapter C-32, Revised Statutes of Alberta 2000
N.A. Properties (1994) Ltd.	Amalgamated corporation under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000
S C Financial Ltd.	Incorporated under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000, as a wholly owned company of the Credit Union Deposit Guarantee Corporation
Gainers Inc.	Incorporated under the Business Corporations Act, Chapter B-9, Revised Statutes of Alberta 2000

NOTE 2 PURPOSE

The Ministry's core functions are to:

a) Manage financial assets and liabilities prudently,
b) Facilitate sound fiscal planning and decision-making,
c) Foster an effective accountability framework,
d) Foster access to comprehensive and competitive financial products and services, and pension plans, and
e) Administer the regulatory framework to reduce the risk of financial loss to pension plan members, depositors and policyholders.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

These financial statements are prepared in accordance with the following accounting policies.

A) METHOD OF CONSOLIDATION

The accounts of the Department, Provincial Judges and Masters in Chambers Reserve Fund, Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, and Alberta Pensions Administration Corporation are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Intra-ministry transactions (revenues, expenses, investing and financing transactions, and related asset and liability accounts) have been eliminated.

The accounts of Provincial agencies and other entities designated as commercial enterprises (The Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation, N.A. Properties (1994) Ltd., and S C Financial Ltd.), and the commercial Crown-controlled corporation (Gainers Inc.) are reported on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

The reporting period of some of the Provincial agencies is other than March 31. Transactions of these agencies that have occurred during the period to March 31, 2002 and that significantly affect the consolidation have been recorded.

B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual method of accounting.

NOTE 3 (continued)

Expenses

Expenses represent the cost of resources consumed during the year on Ministry operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional government and employer contributions for service relating to prior years.

Certain expenses, primarily for office space and legal advice, incurred on behalf of the Ministry by other ministries are not reflected in the consolidated statement of operations. Schedule 18 discloses information on these related party transactions.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Valuation adjustments for pension obligations include interest on the Ministry's share of the unfunded liability and amortization of deferred adjustments over the expected average remaining service life of employees.

Assets

Financial assets are limited to financial claims on outside organizations and individuals and inventories held for resale at the year end.

Portfolio investments are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Loans are recorded at cost less any unearned income and allowance for credit loss. Discounts recorded as the result of interest rate reductions given on loans to local authorities are amortized to investment income over the term of the loans. Where there is no longer reasonable assurance of timely collection of the full amount of principal and interest of a loan, a provision for credit loss is made and the carrying amount of the loan is reduced to its estimated realizable amount.

Assets acquired by right are not included. Capital assets of the Ministry are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets.

Liabilities

Liabilities include all financial claims payable by the Ministry at the year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

NOTE 3 (continued)

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Exchange gains and losses that arise on translation of fixed term foreign currency denominated monetary items are deferred. Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of net operating results for the year.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued pension obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 4 GOVERNMENT RESTRUCTURING

As a result of government restructuring announced on March 15, 2001, the former Ministry of Treasury's responsibilities were transferred to the newly established Ministries of Finance and Revenue.

The 2001 amounts are presented as if the Ministry of Finance had been in existence on April 1, 2000 and throughout the two year period covered by these financial statements.

NOTE 5 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and temporary investments, accrued interest, receivables, bank overdraft, payables and accrued liabilities are estimated to approximate their book values.

NOTE 5 (continued)

Public fixed-income securities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt and debt held by Alberta Municipal Financing Corporation is an approximation of its fair value to the holder.

At the year end, the fair values of investments and any other assets and liabilities denominated in a foreign currency are translated at the year end exchange rate.

NOTE 6 RISK MANAGEMENT

A) LIABILITY MANAGEMENT

The objective of the Ministry's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Ministry manages four risks - interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Ministry manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Ministry's unmatured debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The Ministry decided in February 2001, in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

B) ASSET MANAGEMENT

All of the Ministry's portfolio investments are held by the Department. Portfolio investments of the Department are used to repay debt as it matures.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Ministry and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 16.

Any losses arising from the settlement of contingencies are treated as current year expenses.

A) COMMITMENTS

Commitments to outside organizations in respect of contracts entered into before March 31, 2002 amounted to $126,766,000 (2001 $126,848,000). These amounts include obligations under operating leases which expire on various dates. The aggregate amounts payable for the unexpired terms of these leases are as follows:

NOTE 7 (continued)

		In thousands
2002-03	$	22,197
2003-04		18,809
2004-05		15,640
2005-06		14,941
2006-07		13,994
Thereafter		41,185
	$	126,766

B) INDEMNITIES AND GUARANTEES

The Province has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for preferred shares of the credit unions. The indemnity was to expire on October 31, 2010. The Province entered into a new agreement during the year and the indemnity will now expire on October 31, 2002. The estimated payment required on that date under the indemnity is accounted for as a liability and disclosed in Schedule 16. The net present value of annual contributions from the credit union system to 2010 is accounted for as a receivable and disclosed in Schedule 6.

Guarantees at March 31, 2002 amounting to $ 73,518,000 (2001 $130,193,000) are analyzed in Schedule 17. This schedule is included with the financial statements because payments under guarantees are a statutory charge on the Ministry.

C) CONTINGENCIES OF COMMERCIAL ENTERPRISES

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 2001, credit unions in Alberta held deposits totalling $6,941,026,000 (2000 $6,119,312,000), and had assets in excess of deposits.

At March 31, 2002, Alberta Treasury Branches had a potential liability under guarantees and letters of credit amounting to $443,770,000 (2001 $415,483,000). In 1998-99, Alberta Treasury Branches initiated legal actions which resulted in counterclaims aggregating $475,500,000. The eventual outcome of these claims and counterclaims is not determinable.

N.A. Properties (1994) Ltd. has provided guarantees of principal and interest on mortgages sold to Canadian Western Bank. The principal and interest on these mortgages totalled $7,348,000 at March 31, 2002 (2001 $14,128,000).

D) LEGAL ACTIONS

At March 31, 2002, the Ministry is a defendant in various legal actions. The total claimed in specific legal actions amounts to approximately $279,396,000 (2001 $272,880,000). The resulting loss, if any, from these claims cannot be determined.

NOTE 8 TRUST FUNDS UNDER ADMINISTRATION

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Ministry has no equity in the funds and administers them for the purposes of various trusts, they are not included in the Ministry's consolidated financial statements.

NOTE 8 (continued)

As at March 31, 2002, trust funds under administration were as follows:

	In thousands 2002	2001
Local Authorities Pension Plan Fund	$ 9,058,058	$ 8,810,186
Public Service Pension Plan Fund	3,864,447	3,835,921
Universities Academic Pension Plan Fund	1,697,905	1,699,449
Management Employees Pension Plan Fund	1,490,696	1,460,271
Special Forces Pension Plan Fund	1,020,063	990,951
Regional Health Authorities and various health institutions construction accounts	511,871	266,978
Other	93,632	70,686
	$17,736,672	$ 17,134,442

NOTE 9 DEFINED BENEFIT PLANS

The Ministry participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to the annual contributions of $1,331,000 for the year ended March 31, 2002 (2001 $1,262,000).

At December 31, 2001, the Management Employees Pension Plan reported an actuarial surplus of $5,338,000 (2000 $170,858,000) and the Public Service Pension Plan reported an actuarial surplus of $320,487,000 (2000 $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had an actuarial deficiency of $399,000 (2000 actuarial surplus of $180,000).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646,000 (2001 $12,710,000) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656,000 (2001 $4,583,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 10 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Minister of Finance.

Schedules to the 2001-02 Ministry of Finance Consolidated Financial Statements

REVENUES

Schedule 1

		In thousands	
	2002		**2001**
	Budget	**Actual**	**Actual**
Internal government transfers			
Lottery Fund	$ 44,031	$ 153,376	$ 214,291
Other taxes			
Special broker tax	350	1,014	453
Transfers from Government of Canada			
Unconditional subsidy	3,883	4,434	3,883
Investment income			
Farm credit stability program	11,200	11,251	16,283
Other	558,375	557,926	507,913
	569,575	569,177	524,196
Net income from commercial operations			
Alberta Treasury Branches	151,496	157,926	161,469
Other	3,768	7,584	5,613
	155,264	165,510	167,082
Fees, permits and licences			
Deposit guarantee fee	15,016	15,234	12,739
Insurance companies, agents and brokers	1,700	1,891	1,545
Other	1,292	1,276	1,497
	18,008	18,401	15,781
Other			
Sale of assets	-	6	6
Refunds of expenditure	575	2,070	7,170
Miscellaneous	19,612	18,879	15,912
	20,187	20,955	23,088
	$ 811,298	$ 932,867	$ 948,774

BUDGET

Schedule 2

		In thousands	
	2001-02 Estimates	Adjustments (a)	2001-02 Budget
Revenues			
Internal government transfers	$ 44,031	$ -	$ 44,031
Other taxes	350	-	350
Transfers from Government of Canada	3,883	-	3,883
Investment income	557,375	12,200	569,575
Net income from commercial operations	155,264	-	155,264
Fees, permits and licences	18,008	-	18,008
Other	23,486	(3,299)	20,187
	802,397	8,901	811,298
Expenses			
Ministry support services	4,549	(230)	4,319
Financial management and planning	15,914	(3,949)	11,965
Pensions administration	19,183	-	19,183
Regulation of the insurance industry	1,845	-	1,845
Farm credit stability program	1,600	-	1,600
Pension liability funding	66,150	-	66,150
Valuation adjustments	1,500	(7,000)	(5,500)
Debt servicing costs			
General government	663,000	-	663,000
Local authorities	357,754	-	357,754
School boards	80,480	-	80,480
	1,211,975	(11,179)	1,200,796
Net operating results	$ (409,578)	$ 20,080	$ (389,498)

a) Adjustments consist of transfers of budgeted revenue in the net amount of $8,901,000 from the Ministry of Revenue, administrative transfers of budgeted expenses of $4,179,000 to the Ministry of Revenue authorized by Order in Council 290/2001, and a $7,000,000 budget adjustment for pension provisions which was not included in the Estimates.

EXPENSES BY OBJECT

Schedule 3

In thousands

	2002 Budget	2002 Actual	2001 Actual
Salaries, wages and employee benefits	$ 20,789	$ 20,317	$ 20,340
Supplies and services	17,820	15,559	12,970
Grants	80,480	80,463	90,569
Interest and amortization of unrealized exchange gains and losses	1,020,754	1,026,028	1,276,033
Pension liability funding	66,150	67,216	65,346
Other financial transactions	2,503	2,343	3,376
Amortization of capital assets	574	697	476
Valuation adjustments	(5,500)	(42,581)	9,281
	1,203,570	1,170,042	1,478,391
Less recovery from support service arrangements with related parties (a)	2,774	2,436	2,851
	$ 1,200,796	$ 1,167,606	$ 1,475,540

a) The Ministry provides financial, administrative and human resource services to various departments and Offices of the Legislative Assembly. Costs incurred by the Ministry are recovered from the recipients of the services.

VALUATION ADJUSTMENTS

Schedule 4

In thousands

	2002 Budget	2002 Actual	2001 Actual
Provision for guarantees and indemnities	$ 1,500	$ (33,082)	$ (2,104)
Provision for doubtful accounts and loans	-	(36)	(91)
Provision for employee benefits other than pensions	-	97	(46)
Pension provisions	(7,000)	(9,560)	11,522
	$ (5,500)	$ (42,581)	$ 9,281

CASH AND TEMPORARY INVESTMENTS

Schedule 5

	In thousands	
	2002	**2001**
Fixed-income securities		
Corporate (a)	$ 1,263,876	$ 86,951
Deposit in the Consolidated Cash Investment Trust Fund	184,225	140,705
Cash in bank and in transit	13,086	19,991
	$ 1,461,187	$ 247,647

a) Fixed-income securities had an average effective market yield of 2.8% per annum (2001 5.3% per annum). All of the securities have terms to maturity of less than two years (2001 less than one week).

ACCRUED INTEREST AND ACCOUNTS RECEIVABLE

Schedule 6

	In thousands	
	2002	**2001**
Accrued interest receivable	$ 230,191	$ 196,441
Present value of future annual contributions to 2010 from credit union system	53,831	
Lottery Fund	28,376	48,063
Other	7,841	2,990
	320,239	247,494
Less allowance for doubtful accounts	788	767
	$ 319,451	$ 246,727

PORTFOLIO INVESTMENTS

Schedule 7

In thousands

	2002		2001	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Fixed-income securities (a)				
Government of Canada, direct and guaranteed	$ 524,388	$ 526,842	$ 558,325	$ 559,963
Provincial, direct and guaranteed	841,534	851,907	533,526	535,318
Municipal	140,092	141,804		
Corporate	1,271,037	1,277,853	953,585	955,006
	$ 2,777,051	$ 2,798,406	$ 2,045,436	$ 2,050,287

a) All of the Ministry's fixed-income securities are held to repay debt as it matures. The securities held have an average effective market yield of 3.3% (2001 4.9%) per annum at March 31, 2002. 98% (2001 98%) of the securities held had terms to maturity of less than two years.

EQUITY IN COMMERCIAL ENTERPRISES

Schedule 8

	In thousands 2002	2001
Accumulated surpluses		
Accumulated surpluses at beginning of year	$ 507,448	$ 340,244
Total revenue	867,726	924,376
Total expenditure	702,216	757,306
Net revenue	165,510	167,070
Net transfers from (to) departments	(186)	134
Accumulated surpluses at end of year	$ 672,772	$ 507,448
Represented by		
Assets		
Loans	$ 10,398,571	$ 9,545,630
Investments	790,232	939,396
Other assets	1,448,603	1,311,600
Total assets	12,637,406	11,796,626
Liabilities		
Accounts payable	509,242	352,871
Deposits	11,425,210	10,918,863
Unmatured debt	30,182	17,444
Total liabilities	11,964,634	11,289,178
	$ 672,772	$ 507,448
Accumulated surpluses at end of year		
Alberta Treasury Branches	$ 592,033	$ 434,107
Credit Union Deposit Guarantee Corporation	79,104	72,016
N.A. Properties (1994) Ltd.	1,635	1,325
	672,772	507,448
Elimination of inter fund/agency balances	50,439	35,019
Equity in commercial enterprises at end of year	$ 723,211	$ 542,467

LOANS AND ADVANCES TO GOVERNMENT ENTITIES

Schedule 9

	In thousands 2002	2001
Agriculture Financial Services Corporation	$ 805,164	$ 660,224
Alberta Social Housing Corporation	361,103	379,358
Alberta Opportunity Company	83,027	89,632
Public Trustee	224	224
	$ 1,249,518	$ 1,129,438

OTHER LOANS AND ADVANCES

Schedule 10

	In thousands 2002	2001
Alberta Municipal Financing Corporation Act (a)	$ 3,690,575	$ 3,494,281
Farm Credit Stability Act	73,263	125,204
Pratt & Whitney Canada Ltd.	2,519	3,075
Board of Governors of the University of Alberta	2,342	2,649
University of Lethbridge Students' Union	948	1,097
Implemented guarantees and indemnities	236	315
Judgement debts	91	153
	3,769,974	3,626,774
Less allowance for doubtful loans, advances, implemented guarantees and indemnities	327	468
	$ 3,769,647	$ 3,626,306

a) Municipal loans on average yield 9.0% per annum (2001 9.4%) and have the following term structure as at March 31, 2002.

	2002	2001
	%	
Under 1 year	1	2
1 to 5 years	19	19
6 to 10 years	39	41
Over 10 years	41	38
	100	100

CAPITAL ASSETS

Schedule 11

		In thousands			
		2002			2001
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	10 years	$ 860	$ 491	$ 369	$ 377
Computer hardware and software	5 years	6,878	1,785	5,093	1,748
Other	10 years	67	35	32	40
		$ 7,805	$ 2,311	$ 5,494	$ 2,165

ACCRUED INTEREST AND ACCOUNTS PAYABLE

Schedule 12

	In thousands	
	2002	2001
Accrued interest on unmatured debt and debt of Alberta Municipal Financing Corporation	$ 373,204	$ 409,758
Investment purchases	146,407	-
Unearned revenue	4,961	1,787
Other	47,810	53,295
	$ 572,382	$ 464,840

UNMATURED DEBT

Schedule 13

			In thousands			
			2002		2001	
	Effective Rate (a)(b)(c) %	Modified Duration (d) years	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (e)	2.87	0.23	$ 1,065,431	$ 1,090,976	$ 1,804,101	$ 1,873,502
Fixed rate long-term (f)	6.89	4.16	4,504,171	4,908,642	4,794,439	5,195,925
	6.12	3.41	5,569,602	5,999,618	6,598,540	7,069,427
Unhedged U.S. dollar debt (g)						
Floating rate and short-term fixed rate (e)	3.28	0.28	2,302,804	2,448,501	2,126,950	2,288,980
Fixed rate long-term	6.69	2.00	510,097	593,097	1,220,483	1,406,192
	3.90	0.59	2,812,901	3,041,598	3,347,433	3,695,172
Total unmatured debt	5.38	2.46	$ 8,382,503	$ 9,041,216	$ 9,945,973	$ 10,764,599

a) Book value represents the amount the Ministry owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.

e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.

f) Canadian dollar fixed rate debt includes $678,696,000 (2001 $678,696,000) held by the Canada Pension Plan Investment Fund.

g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.5935 per U.S. dollar (2001 $1.5774 per U.S. dollar). Deferred exchange losses on unhedged U.S. dollar debt amounted to $82,616,000 at March 31, 2002 (2001 $154,014,000). Amortization of deferred exchange losses amounted to $106,627,000 for the year ended March 31, 2002 (2001 $121,577,000).

Schedule 13 (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2002-03, and thereafter are as follows:

	In millions	
	Total	Includes Unhedged
2002-03	$1,607	US$ 806
2003-04	1,789	500
2004-05	1,802	439
2005-06	1,249	108
2006-07	113	-
Thereafter	1,820	-
	$8,380	US$1,853

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $110,000,000 (2001 $316,000,000), and in one to five years is $Nil (2001 $70,000,000).

Derivative financial instruments

The Ministry uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Ministry to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Ministry minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2002, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

Schedule 13 (continued)

The following table summarizes the Ministry's derivative portfolio and related credit exposure:

	In thousands			
	2002		2001	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 2,493,000	$ 28,818	$ 3,456,000	$ 8,000
Cross currency interest rate swaps	1,070,000	-	1,249,000	54,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	-	-	8,000	1,000
	$ 3,563,000	$ 28,818	$ 4,713,000	$ 63,000

Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Replacement cost represents the cost of replacing, at current market rates, all contracts which have a positive market value.

DEBT AND EQUITY OF ALBERTA MUNICIPAL FINANCING CORPORATION

Schedule 14

	In thousands	
	2002	2001
Alberta Municipal Financing Corporation		
Canadian dollar fixed rate debt (a)	$ 3,430,816	$ 3,442,555
Equity (b)	$ 127,958	$ 138,741

a) Canadian dollar fixed rate debt includes $2,880,816,000 (2001 $3,097,555,000) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 2002 (see Schedule 13 note (a)).

	2002	2001
Fair value	$4,038,000,000	$4,048,000,000
Effective rate per annum	10.2%	11.1%

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 2002-03 and thereafter are as follows:

	In thousands
2002-03	$ 624,735
2003-04	441,023
2004-05	338,491
2005-06	283,604
2006-07	395,396
Thereafter	1,347,567
	$ 3,430,816

b) Alberta Municipal Financing Corporation equity has been included in liabilities of the Ministry because it represents profits which the Corporation has the power to pay to municipal and other shareholders that have borrowed from the Corporation.

PENSION OBLIGATIONS

Schedule 15

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation among the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Information about the economic assumptions used in the most recent actuarial valuations is provided below for each plan. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return %	Inflation Rate %	Investment Rate of Return %
Public Service Management (Closed Membership) Pension Plan	December 31, 1999	4.25	3.0	7.25
Members of the Legislative Assembly Pension Plan	December 31, 2000	3.5	3.5	7.0
Universities Academic Pension Plan	December 31, 2000	4.0	3.5	7.5
Special Forces Pension Plan	December 31, 2000	3.75	3.25	7.0

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2002.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

	In thousands 2002	2001
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	$ 630,281	$ 642,007
Members of the Legislative Assembly Pension Plan (b)	47,437	49,258
	677,718	691,265
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (c)	151,203	145,438
Special Forces Pension Plan (c)	51,977	53,755
	203,180	199,193
	$ 880,898	$ 890,458

Schedule 15 (continued)

a) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Ministry.

b) The Ministry has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date.

c) Under the Public Sector Pension Plans Act, the Ministry has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Ministry, and such percentages by employers and employees as will fund equally the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45 per cent by the Ministry and 27.27 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

OTHER ACCRUED LIABILITIES

Schedule 16

	In thousands	
	2002	**2001**
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	$ 697,763	$ 793,145
Future funding to settle obligations under the credit union deficit financing agreement	78,000	-
Guarantees and indemnities		
Guarantees (Schedule 17)	3,721	5,629
Credit union assistance	-	69,171
Other	450	625
Vacation entitlements	2,234	2,259
	$ 782,168	$ 870,829

GUARANTEES (a)

Schedule 17

	In thousands		
	2002	**2001**	**Expiry Date**
Farm Credit Stability Act (b)	$ 72,602	$ 129,800	2011
Centre for Engineering Research Inc.	1,950	2,346	2005
Rural utilities loans	1,450	2,268	2015
University of Calgary	1,194	1,251	2016
Small Business Term Assistance Act	43	157	(c)
	77,239	135,822	
Less estimated liability (Schedule 16)	3,721	5,629	
	$ 73,518	$ 130,193	

a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

No new program guarantees are being issued under the following Acts: Farm Credit Stability Act, Rural Utilities Act and the Small Business Term Assistance Act.

b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

c) Loans have expired or are in the process of realization of security.

RELATED PARTY TRANSACTIONS

Schedule 18

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management of the Ministry.

The Ministry is responsible for managing cash transactions of all departments and their funds. As a result, the Ministry engages in transactions with all other ministries in the normal course of operations.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	In thousands	
	2002	**2001**
Revenues		
Transfers	$ 153,376	$ 214,291
Interest	67,462	62,009
Charges for services	256	113
	$ 221,094	$ 276,413
Expenses		
Interest	$ 1,800	$ 8,263
Cost of services	3,125	501
	$ 4,925	$ 8,764
Assets		
Accounts receivable	$ 28,376	$ 48,068
Accrued interest receivable	13,757	11,067
Loans and advances	1,249,294	1,129,214
	$ 1,291,427	$ 1,188,349
Liabilities		
Accounts and accrued interest payable	$ -	$ 901
Unmatured debt	-	59,334
	$ -	$ 60,235

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	In thousands	
	2002	**2001**
Expenses - incurred by others		
Accommodation	$ 921	$ 977
Legal services	1,005	1,067
	$ 1,926	$ 2,044

Department of Finance
Financial Statements
Year ended March 31, 2002

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of financial position of the Department of Finance as at March 31, 2002 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Alberta Finance establishes the corporate government accounting policies and reporting practices including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. The effect of this is that capital assets are understated by approximately $1,790,000 as at March 31, 2002 and expenses are understated by approximately $100,000 for the year ended March 31, 2002.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
May 23, 2002

Statement of Operations

YEAR ENDED MARCH 31, 2002

	In thousands		
	2002		2001
	Budget (Schedule 4)	**Actual**	**Actual**
Revenues (Schedules 1 and 2)			
Internal government transfers	$ 44,031	$ 153,376	$ 214,291
Other taxes	350	1,014	453
Transfers from Government of Canada	3,883	4,434	3,883
Investment income	211,284	239,332	132,494
Fees, permits and licences	16,308	16,511	14,236
Transfers from (to) government enterprises	-	186	(122)
Other	2,253	4,866	9,968
	278,109	419,719	375,203
Expenses - directly incurred (Note 2b and Schedule 21)			
Voted (Schedules 2, 3 and 5)			
Ministry support services	4,319	4,348	3,862
Financial management and planning	12,792	12,016	12,616
Debt servicing costs	80,480	80,463	90,569
	97,591	96,827	107,047
Statutory (Schedules 3 and 5)			
Farm credit stability program	1,600	1,506	2,328
Pension liability funding	66,200	67,286	65,395
Debt servicing costs	663,000	694,000	885,075
Valuation adjustments (Schedule 6)	(5,500)	(42,638)	9,258
	725,300	720,154	962,056
Write-down of capital assets	-	16	12
	822,891	816,997	1,069,115
Net operating results	$ (544,782)	$ (397,278)	$ (693,912)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

MARCH 31, 2002

	In thousands 2002	2001
Assets		
Cash and temporary investments (Schedule 8)	$ 1,428,901	$ 179,962
Accounts and accrued interest receivable (Schedule 9)	210,390	112,592
Portfolio investments (Schedule 10)	3,068,737	2,112,721
Loans and advances to government entities (Schedule 11)	1,249,518	1,129,438
Other loans, advances and investments (Schedule 12)	80,752	133,395
Capital assets (Schedule 13)	698	517
	$ 6,038,996	$ 3,668,625
Liabilities		
Bank overdraft	$ 1,016,212	$ 756,831
Accounts and accrued interest payable (Schedule 14)	405,987	315,135
Unmatured debt (Schedule 15)	8,512,043	10,013,751
Pension obligations (Schedule 16)	880,898	890,458
Other accrued liabilities (Schedule 17)	781,608	870,326
	11,596,748	12,846,501
Net Liabilities		
Net liabilities at beginning of year	(9,177,876)	(12,786,959)
Net operating results	(397,278)	(693,912)
Net transfer from general revenues	4,017,402	4,302,995
Net liabilities at end of year	(5,557,752)	(9,177,876)
	$ 6,038,996	$ 3,668,625

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position

YEAR ENDED MARCH 31, 2002

	In thousands	
	2002	**2001**
Operating transactions		
Net operating results	$ (397,278)	$ (693,912)
Non-cash items included in net operating results		
Amortization on investments and debt, net		
Purchase and issue discounts	11,921	18,146
Foreign exchange losses	107,932	103,773
Net income on investments valued at equity	(310)	(393)
Amortization and write-down of capital assets	168	117
Valuation adjustments	(42,638)	9,258
	(320,205)	(563,011)
Increase in receivables	(97,843)	(34,378)
Increase in payables, including pension obligations	128,561	641
Cash used for operating transactions	(289,487)	(596,748)
Investing transactions		
Disposals of portfolio investments	4,410,615	-
Repayments of loans and advances		
Government entities	2,402,501	2,904,236
Other	55,922	67,601
Portfolio investments purchased	(5,363,972)	(2,109,524)
Loans and advances		
Government entities	(2,532,777)	(3,149,406)
Other	(1,434)	(4,511)
Purchase of capital assets (Schedule 5)	(353)	(257)
Disposals of capital assets	4	-
Cash used for investing transactions	(1,029,494)	(2,291,861)
Financing transactions		
Debt issues	6,552,576	11,658,311
Debt retirement	(8,166,057)	(13,533,992)
Grants for school construction debenture principal repayment (Schedule 5)	(95,382)	(98,912)
Net transfer from general revenues	4,017,402	4,302,995
Cash provided by financing transactions	2,308,539	2,328,402
Net cash provided (used)	989,558	(560,207)
Bank overdraft, net of cash and temporary investments, at beginning of year	(576,869)	(16,662)
Cash and temporary investments, net of bank overdraft, at end of year	$ 412,689	$ (576,869)

The accompanying notes and schedules are part of these financial statements.

Notes to the 2001-02 Department of Finance Financial Statements

NOTE 1 AUTHORITY AND PURPOSE

The Department of Finance (the Department) operates under the authority of the Government Organization Act, Chapter G-10, Revised Statutes of Alberta 2000.

The Department's core functions are to manage financial assets and liabilities prudently, facilitate sound fiscal planning and decision-making, foster an effective accountability framework, foster access to comprehensive and competitive financial products and services, and pension plans, and to administer the regulatory framework to reduce the risk of financial loss to pension plan members, depositors and policyholders.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

A) REPORTING ENTITY

The reporting entity is the Department, which is part of the Ministry of Finance and for which the Minister of Finance is accountable. Other entities reporting to the Minister of Finance include Provincial Judges and Masters in Chambers Reserve Fund, Supplementary Retirement Plan Reserve Fund, Alberta Insurance Council, Alberta Municipal Financing Corporation, Alberta Pensions Administration Corporation, The Alberta Government Telephones Commission and its subsidiaries, Alberta Treasury Branches and its subsidiary ATB Investment Services Inc., Credit Union Deposit Guarantee Corporation and its subsidiary S C Financial Ltd., N.A. Properties (1994) Ltd. and Gainers Inc. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of operations for which the Minister of Finance is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from general revenues is the difference between all cash deposits by other departments and all cash disbursements made on their behalf by the Department of Finance.

B) BASIS OF FINANCIAL REPORTING

Revenues

All revenues are reported on the accrual method of accounting.

NOTE 2 (continued)

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year and additional government contributions for service relating to prior years.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, pension obligations, loans repayable from future appropriations, and accrued employee vacation entitlements.

Incurred by Others

Services contributed by other entities in support of the Department's operations are disclosed in Schedule 21.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Portfolio investments are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of net operating results for the year. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

NOTE 2 (continued)

Loans are reported at their face value except for loans made on significantly concessionary terms which are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured. The stated value of loans is estimated to approximate fair value.

Investments are recorded at cost, except for investments in wholly owned provincial corporations operating as commercial enterprises which are valued on an equity basis. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Assets acquired by right are not included. Capital assets of the Department are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000.

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure is recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Foreign Currency

Assets and liabilities denominated in foreign currency are translated at the year end rate of exchange.

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts.

Exchange gains and losses that arise on translation of fixed term foreign currency denominated monetary items are deferred. Amortization of deferred exchange gains and losses and other exchange differences on unhedged transactions are included in the determination of net operating results for the year.

Net Liabilities

Net liabilities represents the difference between the value of assets held by the Department and its liabilities.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

NOTE 2 (continued)

Measurement uncertainty that is material to these financial statements exists in provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued pension obligations of actual experience compared to assumptions, and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

NOTE 3 GOVERNMENT RESTRUCTURING

As a result of government restructuring announced on March 15, 2001, the former Department of Treasury's responsibilities were transferred to the newly established Departments of Finance and Revenue.

The 2001 amounts are presented as if the Department of Finance had been in existence on April 1, 2000 and throughout the two year period covered by these financial statements.

NOTE 4 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and temporary investments, accrued interest, receivables, bank overdraft, payables and other accrued liabilities are estimated to approximate their book values.

Public fixed-income securities included in portfolio investments are valued at the year end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt is an approximation of its fair value to the holder.

At the year end, the fair values of assets and liabilities denominated in a foreign currency are translated at the year end exchange rate.

NOTE 5 RISK MANAGEMENT

A) LIABILITY MANAGEMENT

The objective of the Department's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Department manages four risks - interest rate risk, currency exchange risk, credit risk, and refinancing risk. The Department manages these four risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Department's unmatured debt, excluding debt raised to fund requirements of provincial corporations and regulated funds. Debt of provincial corporations and regulated funds is managed separately in relation to their assets.

The Department decided in February 2001, in light of the current debt reduction environment, that the most effective liability risk management strategy would be to allow existing debt instruments to mature in accordance with their terms.

NOTE 5 (continued)

(B) ASSET MANAGEMENT

Portfolio investments are used to repay debt as it matures.

NOTE 6 COMMITMENTS AND CONTINGENCIES

Set out below are details of commitments to organizations outside the Department and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 17.

Any losses arising from the settlement of contingencies are treated as current year expenses.

A) CREDIT UNION ACT

The Credit Union Deposit Guarantee Corporation, operating under the authority of the Credit Union Act, guarantees the repayment of all deposits with Alberta credit unions, including accrued interest. The Credit Union Act provides that the Province, through the Department, will ensure that this obligation of the Corporation is carried out. As at December 31, 2001, credit unions in Alberta held deposits totalling $6,941,026,000 (2000 $6,119,312,000). Substantial assets are available to safeguard the Department from risk of loss arising from its potential obligation under the Act.

B) OTHER COMMITMENTS

Commitments to outside organizations in respect of contracts entered into before March 31, 2002 amounted to $102,000 (2001 $397,000). These commitments will become expenses of the Department when terms of the contracts are met. Payments in respect of these contracts and agreements are subject to the voting of supply by the Legislature.

C) INDEMNITIES AND DEBENTURE, DEPOSIT AND LOAN GUARANTEES

The Province has agreed to indemnify and fund interest to the extent necessary on $335,000,000 of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions. The indemnity was to expire on October 31, 2010. The Province entered into a new agreement during the year and the indemnity will now expire on October 31, 2002. The estimated payment required on that date under the indemnity is accounted for as a liability and disclosed in Schedule 17. The net present value of annual contributions from the credit union system to 2010 is accounted for as a receivable and disclosed in Schedule 9.

Guaranteed liabilities at March 31, 2002 of government entities amounting to $15,564,275,000 (2001 $14,975,610,000), and other guarantees amounting to $73,518,000 (2001 $130,193,000) are analyzed in Schedules 18 and 19 respectively. These schedules are included with the financial statements because payments under debenture and loan guarantees are a statutory charge on the Department.

Payments under the guarantee of Alberta Treasury Branches deposits would also be made by the Department, under authority of a supply vote.

D) LEGAL ACTIONS

At March 31, 2002, the Department is a defendant in ten legal claims (2001 eight legal claims). All of the claims have specified amounts totalling approximately $273,879,000 (2001 seven claims with a specified amount of $272,880,000 and one with no specified amount).

The resulting loss, if any, from these claims cannot be determined.

NOTE 7 TRUST FUNDS UNDER ADMINISTRATION

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2002, trust funds under administration were as follows:

	In thousands	
	2002	**2001**
Local Authorities Pension Plan Fund	$ 9,058,058	$ 8,810,186
Public Service Pension Plan Fund	3,864,447	3,835,921
Universities Academic Pension Plan Fund	1,697,905	1,699,449
Management Employees Pension Plan Fund	1,490,696	1,460,271
Special Forces Pension Plan Fund	1,020,063	990,951
Regional Health Authorities and various health institutions construction accounts	511,871	266,978
Other	93,632	70,686
	$ 17,736,672	$ 17,134,442

NOTE 8 DEFINED BENEFIT PLANS

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $983,000 for the year ended March 31, 2002 (2001 $970,000).

At December 31, 2001, the Management Employees Pension Plan reported a surplus of $5,338,000 (2000 $170,858,000) and the Public Service Pension Plan reported a surplus of $320,487,000 (2000 $635,084,000). At December 31, 2001, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $399,000 (2000 surplus of $180,000).

The Department also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2002, the Bargaining Unit Plan reported an actuarial deficiency of $8,646,000 (2001 $12,710,000) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $2,656,000 (2001 $4,583,000). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 9 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Corporate Secretary and the Deputy Minister of Finance.

Schedules to the 2001-02 Department of Finance Financial Statements

REVENUES **Schedule 1**

	In thousands		
	2002		2001
	Budget	Actual	Actual
Internal government transfers			
Lottery Fund	$ 44,031	$ 153,376	$ 214,291
Other taxes			
Special broker tax	350	1,014	453
Transfers from Government of Canada			
Unconditional subsidy	3,883	4,434	3,883
Investment income			
Farm credit stability program	11,200	11,251	16,283
Other	200,084	228,081	116,211
	211,284	239,332	132,494
Fees, permits and licences			
Deposit guarantee fee	15,016	15,234	12,739
Insurance companies, agents and brokers	250	226	243
Other	1,042	1,051	1,254
	16,308	16,511	14,236
Transfers from (to) government enterprises			
The Alberta Government Telephones Commission	-	186	(122)
Other			
Sale of assets	-	6	6
Refunds of expenditure	575	2,070	7,028
Miscellaneous	1,678	2,790	2,934
	2,253	4,866	9,968
	$ 278,109	$ 419,719	$ 375,203

DEDICATED REVENUE INITIATIVES

Schedule 2

	In thousands 2002		
	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall) (a)/ Excess
Office of budget and management	$ 427	$ 382	$ (45)
Financial management	351	268	(83)
	$ 778	$ 650	$ (128)

Following is a brief description of each dedicated revenue initiative:

- Office of budget and management: Provides accounting services to various public sector investment funds. Also recovers employer contributions from Alberta Pensions Administration Corporation (APA) relating to employees transferred from the Department to APA who were at the time of the transfer and continue to be entitled to long term disability benefits. Fees are based on cost recovery.
- Financial management: Provides administrative services to Alberta Municipal Financing Corporation, investment accounting and banking services to various public sector entities. Fees are based on cost recovery.

The revenue of each initiative is reported in the Statement of Operations.

a) The shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5.

EXPENSES DETAILED BY OBJECT

Schedule 3

In thousands

	2002 Budget	2002 Actual	2001 Actual
Voted			
Salaries, wages and employee benefits	$ 12,235	$ 11,842	$ 12,931
Supplies and services	6,594	5,969	5,246
Grants	80,480	80,463	90,569
Financial transactions and other	903	837	1,047
Amortization of capital assets	153	152	105
Total voted expenses before recoveries	100,365	99,263	109,898
Less recovery from support service arrangements with related parties (a)	2,774	2,436	2,851
	$ 97,591	$ 96,827	$ 107,047
Statutory			
Pension liability funding	$ 66,200	$ 67,286	$ 65,395
Debt servicing costs	663,000	694,000	885,075
Other financial transactions	1,600	1,506	2,328
Valuation adjustments (Schedule 6)	(5,500)	(42,638)	9,258
	$ 725,300	$ 720,154	$ 962,056

a) The Department provides financial, administrative and human resource services to various Provincial agencies, departments and Offices of the Legislative Assembly. Costs incurred by the Department are recovered from the recipients of the services.

BUDGET

Schedule 4

			In thousands		
	2001-02 Estimates	**Adjustments (a)**	**2001-02 Budget**	**Dedicated Revenue Shortfall**	**2001-02 Authorized Budget**
Revenues					
Internal government transfers	$ 44,031	$ -	$ 44,031	$ -	$ 44,031
Other taxes	350	-	350	-	350
Transfers from Government of Canada	3,883	-	3,883	-	3,883
Investment income	199,084	12,200	211,284	-	211,284
Fees, permits and licences	16,308	-	16,308	-	16,308
Other	5,552	(3,299)	2,253	-	2,253
	269,208	8,901	278,109	-	278,109
Expenses					
Voted					
Ministry support services	4,549	(230)	4,319	-	4,319
Financial management and planning	16,741	(3,949)	12,792	(128)	12,664
Debt servicing costs	80,480	-	80,480	-	80,480
	101,770	(4,179)	97,591	(128)	97,463
Statutory					
Farm credit stability program	1,600	-	1,600	-	1,600
Pension liability funding	66,200	-	66,200	-	66,200
Debt servicing costs	663,000	-	663,000	-	663,000
Valuation adjustments	1,500	(7,000)	(5,500)	-	(5,500)
	732,300	(7,000)	725,300	-	725,300
	834,070	(11,179)	822,891	(128)	822,763
Net operating results	$ (564,862)	$ 20,080	$ (544,782)	$ 128	$ (544,654)
Capital investment	$ 475	$ -	$ 475	$ -	$ 475

a) Adjustments consist of transfers of budgeted revenue in the net amount of $8,901,000 from the Department of Revenue, administrative transfers of budgeted expenses of $4,179,000 to the Department of Revenue authorized by Order in Council 290/2001, and a $7,000,000 budget adjustment for pension provisions which was not included in the Estimates.

COMPARISON OF EXPENSES, CAPITAL INVESTMENT AND DISBURSEMENTS BY ELEMENT TO AUTHORIZED BUDGET

Schedule 5

In thousands

		2001-02 Budget	Dedicated Revenue Shortfall	2001-02 Authorized Budget	2001-02 Actual (a)	Unexpended (Over Expended)
Voted Expenses and Capital Investment						
Program 1 - Ministry Support Services						
1.0.1	Minister's Office	$ 270	$	$ 270	$ 266	$ 4
1.0.2	Deputy Minister's Office	326	-	326	377	(51)
1.0.3	Corporate Services					
	- Operating Expense	3,391	-	3,391	3,384	7
	- Capital Investment	125	-	125	112	13
1.0.4	Communications	237	-	237	239	(2)
1.0.5	Standing Policy Committee on Economic Development and Finance	95	-	95	82	13
		4,444	-	4,444	4,460	(16)
Program 2 - Financial Management and Planning						
2.0.1	Office of Budget and Management	6,916	(45)	6,871	7,186	(315)
2.0.2	Financial Management					
	- Operating Expense	5,876	(83)	5,793	4,830	963
	- Capital Investment	350	-	350	241	109
		13,142	(128)	13,014	12,257	757
Debt Servicing						
Grants for School Construction Debenture	Interest Payment	80,480	-	80,480	80,463	17
		$ 98,066	$ (128)	$ 97,938	$ 97,180	$ 758
Program Operating Expense		$ 97,591	$ (128)	$ 97,463	$ 96,827	$ 636
Program Capital Investment		475	-	475	353	122
		$ 98,066	$ (128)	$ 97,938	$ 97,180	$ 758

a) Includes achievement bonus of $335,000.

Schedule 5 (continued)

In thousands

	2001-02 Budget	2001-02 Actual	Unexpended (Over Expended)
Statutory Expenses			
Farm credit stability program	$ 1,600	$ 1,506	$ 94
Pension liability funding	66,200	67,286	(1,086)
Debt servicing costs	663,000	694,000	(31,000)
Valuation adjustments	(5,500)	(42,638)	37,138
	$ 725,300	$ 720,154	$ 5,146
Voted Non-Budgetary Disbursements			
Grants for School Construction Debenture Principal Repayment	$ 95,422	$ 95,382	$ 40

VALUATION ADJUSTMENTS

Schedule 6

In thousands

	2002 Budget	2002 Actual	2001 Actual
Provision for guarantees and indemnities	$ 1,500	$ (33,082)	$ (2,104)
Provision for doubtful accounts and loans	-	(36)	(91)
Provision for employee benefits other than pensions	-	40	(69)
Pension provisions	(7,000)	(9,560)	11,522
	$ (5,500)	$ (42,638)	$ 9,258

SALARY AND BENEFITS DISCLOSURE

Schedule 7

	2002			2001
	Salary (1)	Benefits and Allowances (2)	Total	Total
Deputy Minister (3)(4)(5)	$ 170,163	$ 57,251	$ 227,414	$ 222,311
Controller (5)(6)(7)	92,400	23,688	116,088	103,175
Executives				
Acting Controller (8)	26,283	6,440	32,723	72,691
Assistant Deputy Minister - Pensions, Insurance and Financial Institutions (4)(9)	120,175	50,469	170,644	157,230
Executive Director, Treasury Management	109,785	26,816	136,601	-
Corporate Secretary (10)	104,917	22,572	127,489	-

1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees.

3) The position name was changed in 2002 from Deputy Provincial Treasurer.

4) Benefits and allowances include the following vacation payments: Deputy Minister $5,874 (2001 $Nil), Assistant Deputy Minister - Pensions, Insurance and Financial Institutions $16,662 (2001 $Nil).

5) Automobile provided, no dollar amount included in benefits and allowances figures.

6) The incumbent was appointed to the position of Controller on July 1, 2001. The position was not occupied for the first three months of 2001-02.

7) The incumbent reported in 2001 retired on September 30, 2000. The 2001 total includes a vacation payment of $34,056.

8) In 2001-02 the position was occupied for the first three months only. The incumbent was appointed as Acting Controller on October 1, 2000.

9) The position was occupied by two individuals during the year. The position name was changed in 2002 from Assistant Deputy Provincial Treasurer - Treasury Operations.

10) The incumbent's services are shared with the Department of Revenue and Executive Council which contribute their own share of the cost of salary and benefits. Full salary and benefits are disclosed in this Schedule.

CASH AND TEMPORARY INVESTMENTS

Schedule 8

	In thousands 2002	2001
Fixed-income securities (a)		
Corporate	$ 1,263,876	$ 86,951
Deposit in Consolidated Cash Investment Trust Fund	151,939	73,021
Cash in bank and in transit	13,086	19,990
	$ 1,428,901	$ 179,962

a) Fixed-income securities have an average effective yield of 2.8% (2001 5.3%) per annum. All of the securities have terms to maturity of less than two years (2001 less than one week).

ACCOUNTS AND ACCRUED INTEREST RECEIVABLE

Schedule 9

	In thousands 2002	2001
Accrued interest receivable	$ 60,290	$ 28,926
Present value of future annual contributions to 2010 from credit union system	53,831	-
Alberta Treasury Branches	45,416	30,182
Lottery Fund	28,376	48,063
Swap accruals	16,446	-
The Alberta Government Telephones Commission	5,023	4,837
Other	1,796	1,351
	211,178	113,359
Less allowance for doubtful accounts	788	767
	$ 210,390	$ 112,592

PORTFOLIO INVESTMENTS

Schedule 10

	In thousands			
	2002		**2001**	
	Book Value	**Fair Value**	**Book Value**	**Fair Value**
Fixed-income securities (a)				
Government of Canada, direct and guaranteed	$ 524,388	$ 526,842	$ 558,325	$ 559,963
Provincial, direct and guaranteed	1,133,220	1,147,521	600,811	602,851
Municipal	140,092	141,804		
Corporate	1,271,037	1,277,853	953,585	955,006
	$ 3,068,737	$ 3,094,020	$ 2,112,721	$ 2,117,820

a) The Department's fixed-income securities are held to repay debt as it matures. The securities held have an average effective market yield of 3.3% (2001 4.9%) per annum. 98% (2001 98%) of the securities have terms to maturity of less than two years.

LOANS AND ADVANCES TO GOVERNMENT ENTITIES

Schedule 11

	In thousands	
	2002	**2001**
Agriculture Financial Services Corporation	$ 805,164	$ 660,224
Alberta Social Housing Corporation	361,103	379,358
Alberta Opportunity Company	83,027	89,632
Public Trustee	224	224
	$ 1,249,518	$ 1,129,438

OTHER LOANS, ADVANCES AND INVESTMENTS

Schedule 12

	In thousands 2002	2001
Loans and advances		
Farm Credit Stability Act	$ 73,263	$ 125,204
Pratt & Whitney Canada Ltd.	2,519	3,075
Board of Governors of the University of Alberta	2,342	2,649
University of Lethbridge Students' Union	948	1,097
Implemented guarantees and indemnities	236	315
Judgement debts	91	153
	79,399	132,493
Less allowance for doubtful loans and advances	327	468
	79,072	132,025
Investments		
N.A. Properties (1994) Ltd.	1,635	1,325
Alberta Municipal Financing Corporation	45	45
	1,680	1,370
	$ 80,752	$ 133,395

CAPITAL ASSETS

Schedule 13

In thousands

	Estimated Useful Life	2002 Cost	2002 Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Equipment	10 years	$ 109	$ 109	$ -	$ -
Computer hardware and software	5 years	1,065	367	698	517
		$ 1,174	$ 476	$ 698	$ 517

ACCOUNTS AND ACCRUED INTEREST PAYABLE

Schedule 14

	In thousands 2002	2001
Accrued interest on unmatured debt	$ 227,135	$ 266,444
Investment purchases	146,407	-
Other	32,445	48,691
	$ 405,987	$ 315,135

UNMATURED DEBT

Schedule 15

In thousands

	Effective Rate (a)(b)(c) %	Modified Duration (d) years	2002		2001	
			Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
Canadian dollar debt and fully hedged foreign currency debt						
Floating rate and short-term fixed rate (e)	2.88	0.23	$ 1,067,342	$ 1,092,912	$ 1,850,351	$ 1,919,190
Fixed rate long-term (f)	6.90	4.10	4,605,748	5,013,809	4,760,105	5,222,358
	6.14	3.37	5,673,090	6,106,721	6,610,456	7,141,548
Unhedged U.S. dollar debt (g)						
Floating rate and short-term fixed rate (e)	3.28	0.28	2,328,856	2,475,004	2,157,283	2,312,377
Fixed rate long-term	6.69	2.00	510,097	593,097	1,246,012	1,432,109
	3.90	0.62	2,838,953	3,068,101	3,403,295	3,744,486
	5.39	2.45	$ 8,512,043	$ 9,174,822	$ 10,013,751	$ 10,886,034

a) Book value represents the amount the Department owes. Fair value is an approximation of market value to the holder. The book value, fair value and weighted average effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

b) Weighted average effective rates on unhedged U.S. dollar debt are based upon debt stated in U.S. dollars.

c) Weighted average effective rate on total unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt (see note (g)).

d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.

e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, and term debt with interest rate reset within a year.

f) Canadian dollar fixed rate debt includes $678,696,000 (2001 $678,696,000) held by the Canada Pension Plan Investment Fund.

g) Unhedged U.S. dollar debt is translated into Canadian dollars at the March 31 noon exchange rate of $1.5935 per U.S. dollar (2001 $1.5774 per U.S. dollar). Deferred exchange losses on unhedged U.S. dollar debt amounted to $82,616,000 at March 31, 2002 (2001 $154,014,000). Amortization of deferred exchange losses amounted to $106,627,000 for the year ended March 31, 2002 (2001 $121,577,000).

Schedule 15 (continued)

Debt principal repayment requirements at par in each of the next five years, including short-term debt maturing in 2002-03, and thereafter are as follows:

	In millions	
	Total	Includes Unhedged
2002-03	$1,635	US$ 806
2003-04	1,846	500
2004-05	1,649	439
2005-06	1,249	108
2006-07	113	–
Thereafter	2,017	–
	$8,509	US$1,853

Some of the debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $110,000,000 (2001 $316,000,000), and in one to five years is $Nil (2001 $70,000,000).

Derivative financial instruments

The Department uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Department to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Department minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 2002, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

Schedule 15 (continued)

The following table summarizes the Department's derivative portfolio and related credit exposure:

	In thousands			
	2002		2001	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 2,493,000	$ 28,818	$ 3,456,000	$ 8,000
Cross currency interest rate swaps	1,070,000	-	1,249,000	54,000
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	-	-	8,000	1,000
	$ 3,563,000	$ 28,818	$ 4,713,000	$ 63,000

Notional amount represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows. Replacement cost represents the cost of replacing, at current market rates, all contracts which have a positive market value.

PENSION OBLIGATIONS

Schedule 16

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses are amortized over the expected average remaining service lives of the related employee groups.

Information about the economic assumptions used in the most recent actuarial valuations is provided below for each plan. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return %	Inflation Rate %	Investment Rate of Return %
Public Service Management (Closed Membership) Pension Plan	December 31, 1999	4.25	3.0	7.25
Members of the Legislative Assembly Pension Plan	December 31, 2000	3.5	3.5	7.0
Universities Academic Pension Plan	December 31, 2000	4.0	3.5	7.5
Special Forces Pension Plan	December 31, 2000	3.75	3.25	7.0

These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, unfunded liabilities were extrapolated to March 31, 2002.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

Schedule 16 (continued)

	In thousands 2002	In thousands 2001
Obligations to pension plans for current and former employees and Members of the Legislative Assembly		
Public Service Management (Closed Membership) Pension Plan (a)	$ 630,281	$ 642,007
Members of the Legislative Assembly Pension Plan (b)	47,437	49,258
	677,718	691,265
Obligations to pension plans for employees of organizations outside the government reporting entity		
Universities Academic Pension Plan (c)	151,203	145,438
Special Forces Pension Plan (c)	51,977	53,755
	203,180	199,193
	$ 880,898	$ 890,458

a) The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who were retired, were entitled to receive a deferred pension or had attained 35 years of service before August 1, 1992. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Department.

b) The Department has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date.

c) Under the Public Sector Pension Plans Act, the Department has obligations for payment of additional contributions under defined benefit pension plans for certain employees of post-secondary educational institutions and municipalities. The plans are the Universities Academic and Special Forces plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Department, and such percentages by employers and employees as will fund equally the remaining amount, as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45 per cent by the Department and 27.27 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 cost of living adjustment benefits, is guaranteed by the Province.

OTHER ACCRUED LIABILITIES

Schedule 17

	In thousands 2002	2001
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	$ 697,763	$ 793,145
Future funding to settle obligations under the credit union deficit financing agreement	78,000	-
Guarantees and indemnities		
Credit union assistance	-	69,171
Other (Schedule 19)	3,721	5,629
Future carrying charges	450	625
Vacation entitlements	1,674	1,756
	$ 781,608	$ 870,326

GUARANTEED DEBT OF GOVERNMENT ENTITIES

Schedule 18

In thousands

	Held by: Department of Finance	Alberta Heritage Savings Trust Fund	Others	Total 2002	Total 2001
Debentures					
Alberta Municipal Financing Corporation	$ 160,000	$ -	$ 3,430,816	$ 3,590,816	$ 3,442,555
Alberta Social Housing Corporation	361,103	104,622	82,524	548,249	614,192
	521,103	104,622	3,513,340	4,139,065	4,056,747
Deposits					
Alberta Treasury Branches	15,972	-	11,409,238	11,425,210	10,918,863
	$ 537,075	$ 104,622	$ 14,922,578	$ 15,564,275	$ 14,975,610

Guarantees include principal borrowings only and exclude guaranteed interest, the amount of which is not determinable.

Schedule 18 (continued)

The net asset positions from the most recent financial statements of government entities with guaranteed liabilities are reported below.

Entity	Date	Position	*In thousands* 2002	2001
Alberta Municipal Financing Corporation	December 31, 2001	Shareholders' equity	$ 132,802	$ 149,977
Alberta Social Housing Corporation	March 31, 2002	Surplus	$ 306,588	$ 257,610
Alberta Treasury Branches	March 31, 2002	Equity	$ 592,033	$ 434,107

OTHER GUARANTEES (a)

Schedule 19

	In thousands 2002	2001	Expiry Date
Farm Credit Stability Act (b)	$ 72,602	$ 129,800	2011
Centre for Engineering Research Inc.	1,950	2,346	2005
Rural utilities loans	1,450	2,268	2015
University of Calgary	1,194	1,251	2016
Small Business Term Assistance Act	43	157	(c)
	77,239	135,822	
Less estimated liability (Schedule 17)	3,721	5,629	
	$ 73,518	$ 130,193	

a) Authorized loan guarantee limits decline as guaranteed loans are repaid.

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

No new program guarantees are being issued under the following Acts: Farm Credit Stability Act, Rural Utilities Act and the Small Business Term Assistance Act.

b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

c) Loans have expired or are in the process of realization of security.

RELATED PARTY TRANSACTIONS

Schedule 20

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

As explained in Note 2(a), the Department is responsible for managing all departments' cash transactions. As a result, the Department engages in transactions with its own funds and agencies and with all other departments and their funds and agencies in the normal course of operations.

The Deputy Minister of Finance is a director of Alberta Pensions Administration Corporation and Alberta Municipal Financing Corporation. Alberta Pensions Administration Corporation is wholly owned and Alberta Municipal Financing Corporation is 70% owned by the Government of Alberta, through the Department. The Deputy Minister of Finance did not receive any benefit during the year, in cash or in kind, as a result of these directorships.

The investment in Alberta Municipal Financing Corporation is recorded at cost (see Schedule 12) because the Corporation has the power to pay its retained earnings, which amounted to $132,738,000 at December 31, 2001 (2000 $149,913,000), to municipal and other shareholders which have borrowed money from the Corporation. During the 2001-02 fiscal year, the Department paid $175,845,000 (2001 $189,481,000) to the Corporation by way of grants to school boards to satisfy their interest and principal repayment obligations in respect of school board debentures. These amounts are not included in the table below as school boards are not related parties. The investment in Alberta Pensions Administration Corporation is not significant, either on a cost or an equity basis.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

Schedule 20 (continued)

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties.

	In thousands			
	Entities in the Ministry		**Other Entities**	
	2002	**2001**	**2002**	**2001**
Revenues				
Transfers	$ 186	$ (122)	$ 153,376	$ 214,291
Interest	1,616	895	68,851	60,472
Charges for services	15,466	13,107	256	113
	$ 17,268	$ 13,880	$ 222,483	$ 274,876
Expenses				
Interest	$ -	$ -	$ -	$ 3,507
Cost of services	69	61	3,125	501
	$ 69	$ 61	$ 3,125	$ 4,008
Assets				
Accounts receivable	$ 50,439	$ 35,097	$ 28,376	$ 48,068
Accrued interest receivable	1,693	262	13,757	11,067
Portfolio investments	160,000	-	-	-
Loans, advances and investments	1,680	1,370	1,249,294	1,129,213
	$ 213,812	$ 36,729	$ 1,291,427	$ 1,188,348
Liabilities				
Accounts and accrued interest payable	$ -	$ -	$ -	$ 901
Unmatured debt	-	-	-	29,967
	$ -	$ -	$ -	$ 30,868

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 21.

	Entities in the Ministry		**Other Entities**	
	2002	**2001**	**2002**	**2001**
Expenses - incurred by others				
Accommodation	$ -	$ -	$ 921	$ 977
Legal services	-	-	964	1,033
	$ -	$ -	$ 1,885	$ 2,010

ALLOCATED COSTS BY PROGRAM

Schedule 21

In thousands

	Ministry Support Services	Financial Management and Planning	Other	Total
Expenses [1]	$ 4,348	$ 12,016	$ 843,255	$ 859,619
Expenses - incurred by others				
Accommodation	465	456	-	921
Legal services	19	945	-	964
	484	1,401	-	1,885
Valuation adjustments				
Vacation pay	54	(14)	-	40
Doubtful accounts	-	(36)	-	(36)
Other	-	-	(42,642)	(42,642)
	54	(50)	(42,642)	(42,638)
2002 Total	$ 4,886	$ 13,367	$ 800,613	$ 818,866
2001 Total	$ 4,154	$ 14,174	$ 1,052,785	$ 1,071,113

1) Expenses - directly incurred as per Statement of Operations, excluding valuation adjustments.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS RESERVE FUND
FINANCIAL STATEMENTS
MARCH 31, 2002

Auditor's Report

Balance Sheet

Statement of Changes in Net Assets

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Provincial Judges and Masters in Chambers Reserve Fund as at March 31, 2002 and the statement of changes in net assets for the period from November 23, 2001 to March 31, 2002. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the changes in its net assets for the period from November 23, 2001 to March 31, 2002 in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
May 23, 2002

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS RESERVE FUND
BALANCE SHEET
MARCH 31, 2002
($ thousands)

ASSETS	
Cash and cash equivalents (Note 3)	$ 18,624
Receivable from the Province of Alberta	3,587
	22,211
LIABILITIES	
Amounts owing to the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Notes 2(c) and 4)	22,211
NET ASSETS	$

The accompanying notes are part of these financial statements.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS RESERVE FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE PERIOD FROM NOVEMBER 23, 2001 TO MARCH 31, 2002
($ thousands)

Increase in assets	
Initial transfer from the Province of Alberta	$ 14,728
Contributions from the Province of Alberta	7,362
Investment income	121
	22,211
Decrease in assets	
Increase in amounts owing to the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan	22,211
Increase in net assets	
Net assets at beginning of period	
Net assets at end of period	$

The accompanying notes are part of these financial statements.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS RESERVE FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 1 AUTHORITY AND PURPOSE

The Provincial Judges and Masters in Chambers Reserve Fund (Reserve Fund) operates under the authority of the Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000 and the Provincial Judges and Masters in Chambers Reserve Fund Directive (Treasury Board Directive 03/01).

The Reserve Fund is established to collect contributions from the Province of Alberta and to invest the funds which are reserved to meet future benefit payments of the Provincial Judges and Masters in Chambers (Unregistered) Pension Plan (Unregistered Plan). The Unregistered Plan is established effective April 1, 1998 to provide pension benefits to Provincial Judges and Masters in Chambers which are in addition to those payable under the Provincial Judges and Masters in Chambers (Registered) Pension Plan.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments of the Unregistered Plan.

(b) Valuation of Assets and Liabilities

Short-term securities included in cash and cash equivalents are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

The fair values of deposits, receivables and accrued liabilities are estimated to approximate their book values.

(c) Accrued Liabilities

Accrued liabilities of the Reserve Fund are funded by investment income and contributions from the Province of Alberta at a rate determined by the Unregistered Plan's actuary and approved by the Minister of Finance. The rate in effect at March 31, 2002 was 39.97% of the pensionable earnings of Provincial Judges and Masters in Chambers that were in excess of $86,111. These amounts represent assets held by the Reserve Fund, which are available to meet future benefit payments of the Unregistered Plan over the long term.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a deposit in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at March 31, 2002, securities held by the CCITF had an average effective market yield of 4.03% per annum and an average duration of 65.7 days.

NOTE 4 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

An actuarial valuation of the Unregistered Plan was carried out as at March 31, 2000 by Johnson Incorporated and was then extrapolated to March 31, 2002.

The Unregistered Plan reported an actuarial surplus of $3.1 million as at March 31, 2002, taking into account the amounts recoverable from the Reserve Fund.

The assumptions used in the actuarial valuation were developed based on management's best estimates of short-term and long-term market conditions and other future events. Differences between actual results and management's expectations will be reflected as experience gains and losses in the next actuarial valuation of the Unregistered Plan.

NOTE 5 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Finance.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
FINANCIAL STATEMENTS
MARCH 31, 2002

Auditor's Report

Balance Sheet

Statement of Changes in Net Assets

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the balance sheet of the Supplementary Retirement Plan Reserve Fund as at March 31, 2002 and the statement of changes in net assets for the year ended March 31, 2002. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the changes in its net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
May 23, 2002

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
BALANCE SHEET
MARCH 31, 2002

($ thousands)

	2002	2001
ASSETS		
Cash and cash equivalents (Note 3)	$ 7,210	$ 3,436
Receivable from participating employers	410	200
	7,620	3,636
LIABILITIES		
Amounts owing to the Supplementary Retirement Plan for Public Service Managers (Notes 2(c) and 4)	7,620	3,636
Net Assets	$ -	$ -

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2002

($ thousands)

	2002	2001
Increase in assets		
Contributions from participating employers	$ 3,801	$ 2,402
Investment income	189	123
	3,990	2,525
Decrease in assets		
Increase in amounts owing to the Supplementary Retirement Plan for Public Service Managers	3,984	2,521
Administration expenses	6	4
	3,990	2,525
Increase in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	$ -	$ -

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 1 AUTHORITY AND PURPOSE

The Supplementary Retirement Plan Reserve Fund (Reserve Fund) operates under the authority of the Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000 and Treasury Board Directive 05/99.

The Reserve Fund is established to collect contributions from participating employers and to invest the funds which are reserved to meet future benefit payments of the Supplementary Retirement Plan for Public Service Managers (SRP). The SRP is established effective July 1, 1999 to provide additional pension benefits to eligible public service managers whose pensionable earnings are in excess of $86,111.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Reserve Fund to meet future benefit payments of the SRP.

(b) Valuation of Assets and Liabilities

Short-term securities included in cash and cash equivalents are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

The fair values of deposits, receivables and accrued liabilities are estimated to approximate their book values.

(c) Accrued Liabilities

Accrued liabilities of the Reserve Fund are funded by investment income and contributions from participating employers at a rate determined by the SRP's actuary and approved by the government. The rate in effect at March 31, 2002 was unchanged at 42.5% of the pensionable earnings of eligible public service managers that were in excess of $86,111. These amounts represent assets held by the Reserve Fund, which are available to meet future benefit payments of the SRP over the long term.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of a deposit in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at March 31, 2002, securities held by the CCITF had an average effective market yield of 4.03% per annum (2001: 6.02% per annum) and an average duration of 65.7 days (2001: 105.9 days).

NOTE 4 SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS (SRP)

An actuarial valuation of the SRP was carried out as at December 31, 2000 by Johnson Incorporated and was then extrapolated to December 31, 2001.

The SRP reported an actuarial deficiency of $0.4 million as at December 31, 2001 (2000 actuarial surplus of $0.2 million), taking into account the amounts recoverable from the Reserve Fund.

The assumptions used in the actuarial valuation were developed based on management's best estimates of short-term and long-term market conditions and other future events. Differences between actual results and management's expectations will be reflected as experience gains and losses in the next actuarial valuation of the SRP.

NOTE 5 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Deputy Minister of Finance.

ALBERTA INSURANCE COUNCIL
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report
Statement of Financial Position
Statement of Change in Net Assets
Statement of Operations
Statement of Cash Flows
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Schedule of Salaries and Benefits

AUDITOR'S REPORT

To the Members of Alberta Insurance Council

We have audited the statement of financial position of Alberta Insurance Council as at December 31, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2001 and the results of its operations, the change in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Pricewaterhouse Coopers LLP
Chartered Accountants

Edmonton, Alberta
March 7, 2002

ALBERTA INSURANCE COUNCIL
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2001

	2001	2000
ASSETS		
Current assets		
Cash (Note 3)	$ 1,514,648	$ 1,386,481
Accounts receivable	76,879	50,616
Prepaid expenses	18,268	22,141
	1,609,795	1,459,238
Deferred program development expense (Note 4)	320,757	216,191
Capital assets (Note 5)	165,888	153,098
	$ 2,096,440	$ 1,828,527
LIABILITIES		
Current liabilities		
Accounts payable	$ 47,206	$ 53,681
Deferred tenant inducement	23,258	27,989
Deferred licence revenue	307,130	263,604
	377,594	345,274
EQUITY IN NET ASSETS		
Net assets		
Invested in capital assets	165,888	153,098
Invested in program development	48,114	32,429
Unrestricted	1,504,844	1,297,726
	1,718,846	1,483,253
	$ 2,096,440	$ 1,828,527

Approved by the Board of Directors

R. Wold, Director

V. Chatten, Director

ALBERTA INSURANCE COUNCIL
STATEMENT OF CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Invested in capital assets	Invested in program development	Unrestricted	Total 2001	Total 2000
Balance - Beginning of year	$ 153,098	$ 32,429	$ 1,297,726	$ 1,483,253	$ 1,414,040
Excess (deficiency) of refenue over expenditures	(67,872)	-	303,465	235,593	69,213
Investment in capital assets	80,662		(80,662)	-	-
Investment in program development	-	15,685	(15,685)	-	-
Balance - End of year	$ 165,888	$ 48,114	$ 1,504,844	$ 1,718,846	$ 1,483,253

ALBERTA INSURANCE COUNCIL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Budget 2001 (Unaudited)	2001	2000
Revenue			
Licence and exam fees	$ 1,858,000	$ 1,891,426	$ 1,545,100
Interest and other	84,000	80,769	92,056
	1,942,000	1,972,195	1,637,156
Expenditures			
Salaries and benefits	1,104,000	1,032,234	953,715
Occupancy	185,000	206,443	166,024
Council meetings	115,000	110,442	117,720
Amortization of capital assets	85,000	67,872	59,486
Travel	60,000	67,165	43,038
Legal fees	15,000	53,357	4,102
Freight and postage	70,000	45,674	53,686
Communications	40,000	39,111	35,297
Professional fees	20,000	32,282	24,445
Printing and stationery	25,000	30,803	42,992
Office	25,000	15,182	15,785
Other	50,000	13,578	11,510
Appeal boards	35,000	12,421	15,276
Insurance	8,000	9,213	9,022
Software maintenance	40,000	825	14,845
Promotions and publications - new legislation	15,000		1,000
	1,892,000	1,736,602	1,567,943
Excess of revenue over expenditures	$ 50,000	235,593	69,213

ALBERTA INSURANCE COUNCIL
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

	2001	2000
Cash provided by (used in)		
Operating activities		
Excess revenue over expenditures	$ 235,593	$ 69,213
Items not affecting cash		
Amortization of capital assets	67,872	59,486
Amortization of tenant inducement	(4,731)	(4,730)
	298,734	123,969
Net changes in non-cash working capital items		
Increase in accounts receivable	(26,263)	(41,758)
Decreases (increase) in prepaid expenses	3,873	(7,333)
Decrease in accounts payable	(6,475)	(609)
Increase (decrease) in deferred licence revenue	43,526	(30,045)
	313,395	44,224
Investing activities		
Purchase of capital assets	(80,662)	(35,869)
Program development expense	(104,566)	(216,191)
	(185,228)	(252,060)
Increase (decrease) in cash	128,167	(207,836)
Cash - Beginning of year	1,386,481	1,594,317
Cash - End of year	$ 1,514,648	$ 1,386,481

ALBERTA INSURANCE COUNCIL

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

1 AUTHORITY AND PURPOSE

The Alberta Insurance Council (the "Council") operates under the authority of the Insurance Act, Chapter I-3, Revised Statutes of Alberta 2000, as amended. As a not-for-profit organization under the Income Tax Act, the Council is not subject to either federal or provincial income taxes.

The Alberta Insurance Council provides administration services to the Life Insurance, General Insurance and Insurance Adjusters Councils. These Councils are responsible for regulating their segments of the insurance industry.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities revenues and expenses are dependent upon future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Revenue Recognition

License and assessment fees are taken into income on a straight-line basis over the term of the license or assessment. License and assessment fees received but not yet taken into income are recorded as deferred license revenue. Examination fees are taken into income when the related exam is held.

Deferred Program Development Expense

Costs, which have been incurred by the Council, as a committee member of the Canadian Insurance Self Regulatory Organization ("CISRO") for the development of the Life License Qualification Program (the "program") have been deferred until the program is implemented. Once the program is implemented, the costs will be amortized on a straight-line basis over a period of three years.

Capital Assets and Amortization

Capital assets are recorded at cost and are amortized over their estimated useful lives on a straight-line basis as follows:

Leasehold improvements	Term of lease
Furniture and office equipment	10 years
Computer equipment	3 years
Computer software	3 years
Telephone equipment	5 years

Deferred Tenant Inducement

Deferred tenant inducement is recorded at cost and is being amortized over the eight-year lease term.

Contributed Services

The work of the Council is dependent on the voluntary services of members. The value of donated services is not recognized in these financial statements.

3 CASH

Included in Cash is an amount of $1,210,097 (2000 - $1,186,825) invested in the Consolidated Cash Investment Trust Fund ("CCITF"). The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio comprises of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

4 DEFERRED PROGRAM DEVELOPMENT EXPENSE

	2001	2000
Travel	$ 112,062	$ 73,299
Professional fees	208,695	142,892
	$ 320,757	$ 216,191

5 CAPITAL ASSETS

	2001			2000
	Cost	Accumulated amortization	Net	Net
Leasehold improvements	$ 67,111	$ 35,440	$ 31,671	$ 40,182
Furniture and office equipment	140,386	93,962	46,424	50,455
Computer equipment	212,383	181,270	31,113	34,732
Computer software	168,058	132,807	35,251	25,423
Telephone equipment	38,864	17,435	21,429	2,306
	$ 626,802	$ 460,914	$ 165,888	$ 153,098

6 LEASE COMMITMENTS

The Council is committed to operating leases payments for business premises and equipment as follows:

2002	$ 87,253
2003	87,253
2004	73,945
2005	47,328
2006	43,384

7 FINANCIAL INSTRUMENTS

The carrying value of financial assets and liabilities approximate fair value. The Council does not hedge interest rate transactions, and there are no unrecorded financial instruments. Credit risk is negligible as the majority of revenue is from license, assessment and examination fees, which are billed in advance.

Schedule 1

ALBERTA INSURANCE COUNCIL
SCHEDULE OF SALARIES AND BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

PER DIEM PAYMENTS OF COUNCIL MEMBERS

	2001		2000	
	#	Total	#	Total
Councils (a)				
Chairs	4	$ 16,650	4	$ 18,225
Council Members	19	44,550	19	59,199
Total	23	$ 61,200	23	$ 77,424

(a) This includes the Alberta Insurance Council, the Life Insurance Council, the General Insurance Council and the Insurance Adjusters Council and the Audit Committee.

SALARIES AND BENEFITS

	2001				2000	
	#	Salary (b)	Benefits (c)	Total	#	Total
General Manager	1	$ 127,500	$ 34,284	$ 161,784	1	$ 140,904
Assistant General Manager	1	93,390	25,306	118,696	1	110,598
Full-time staff (d)	15	631,767	94,906	726,673	15	681,673
Part-time staff	3	23,571	1,510	25,081	4	20,540
Total	20	$ 876,228	$ 156,006	$1,032,234	21	$ 953,715

(b) Salary includes regular base pay, bonuses, overtime and accrued vacation pay. Accrued vacation pay was $8,922 for 2001 and $10,801 for 2000.

(c) Employer's share of all employee benefits and contributions or payments made on behalf of employees including group RRSP, health care, dental coverage, group life insurance, long and short-term disability plans and vacation pay.

(d) Full-time staff consists of all individuals working 29 hours or more per week. Average annual salary was $49,687 for 2001 and $46,743 for 2000.

ALBERTA MUNICIPAL FINANCING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report
Balance Sheet
Statement of Loss and Retained Earnings
Statement of Cash Flow
Notes to the Financial Statements
Schedule of Debt

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholders of the
Alberta Municipal Financing Corporation

I have audited the balance sheet of the Alberta Municipal Financing Corporation as at December 31, 2001 and the statements of loss and retained earnings and of cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flow for the year then ended in accordance with generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
January 25, 2002 (except for Note 10, which is as of March 20, 2002)

ALBERTA MUNICIPAL FINANCING CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
ASSETS			
Cash (Note 3)	$ 6,521	$ 30,917	$ 22,273
Accrued interest receivable	135,342	128,422	138,838
Loans to local authorities (Note 4)	3,454,733	3,454,950	3,527,801
	$3,596,596	$3,614,289	$3,688,912
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Accrued interest payable	$ 62,211	$ 62,922	$ 73,784
Debt (Note 5 and Schedule 1)	3,396,128	3,418,565	3,465,151
	3,458,339	3,481,487	3,538,935
Shareholders' equity:			
Share capital (Note 6):			
Authorized: 7,500 common shares, par value $10 per share			
Issued and fully paid: 6,372 shares (2000 - 6,370)	64	64	64
Retained earnings	138,193	132,738	149,913
	138,257	132,802	149,977
	$3,596,596	$3,614,289	$3,688,912

The accompanying notes are part of these financial statements.

J. M. Drinkwater
President and Chairman of the Board

G.H. Sherwin, CA
Vice-President

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF LOSS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Interest Income:			
Loans	$ 336,754	$ 328,622	$ 351,172
Amortization of loan discounts	19,872	19,872	24,699
Deposits and short-term investments	600	1,671	2,945
	357,226	350,165	378,816
Interest Expense:			
Debt	361,147	359,532	452,569
Amortization of debt discounts	8,327	7,633	4,836
	369,474	367,165	457,405
Net interest expense	(12,248)	(17,000)	(78,589)
Other Income:			
Investment income on sinking fund	-	-	27,254
Loan prepayment fees	1,000	141	964
	1,000	141	28,218
Net interest expense and other income	(11,248)	(16,859)	(50,371)
Non-Interest Expense:			
Administration and office expenses (Note 7)	385	228	295
Debt issue and service expenses	60	65	53
Directors' and officers' fees and expenses (Note 7)	27	23	24
	472	316	372
Net loss	(11,720)	(17,175)	(50,743)
Retained earnings, beginning of year	149,913	149,913	275,656
Distribution to shareholders	-	-	(75,000)
Retained earnings, end of year	$ 138,193	$ 132,738	$ 149,913

ALBERTA MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Operating Activities:			
Interest received on loans	$ 340,250	$ 339,038	$ 359,474
Interest received on investments/sinking fund	600	1,671	5,514
Loan prepayment fees	1,000	141	964
Administration and office expenses	(472)	(316)	(372)
Interest paid on debt	(372,720)	(370,394)	(457,109)
Cash flows used in operating activities	(31,342)	(29,860)	(91,529)
Investing Activities:			
Loan repayments	439,940	456,062	427,095
New loans issued	(347,000)	(363,339)	(369,435)
Sinking fund investments	-	-	474,838
Cash flows from investing activities	92,940	92,723	532,498
Financing Activities:			
Debt issues	574,389	722,520	582,030
Debt redemptions	(651,739)	(776,739)	(1,002,367)
Distribution to shareholders	-	-	(75,000)
Cash flows used in financing activities	(77,350)	(54,219)	(495,337)
Net increase (decrease) in cash	(15,752)	8,644	(54,368)
Cash, beginning of year	22,273	22,273	76,641
Cash, end of year	$ 6,521	$ 30,917	$ 22,273

ALBERTA MUNICIPAL FINANCING CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

1. AUTHORITY

The Alberta Municipal Financing Corporation operates under the authority of the Alberta Municipal Financing Corporation Act, Chapter A-27, Revised Statutes of Alberta 2000, as amended.

2. SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and include the following significant accounting policies:

(a) Sinking Fund Investments

Sinking fund investments are recorded at cost. The cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Realized gains and losses on disposals of sinking fund investments are included in the determination of investment income. The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Investment income on sinking fund investments accrues to the sinking fund.

(b) Debt

Debt discounts, including underwriting commission, arising on the issue of debt are deferred and amortized over the term of the debt.

Debt is recorded net of unamortized discounts.

Public debt issue expenses are charged against income as they are incurred.

(c) Discounts on Loans to Local Authorities

Discounts are recorded for reductions of interest rates given on loans to local authorities with interest rates above a certain level and are amortized to income over the term of these loans. Annual amortization is the change in the present value of the remaining interest rate reduction.

3. CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. CCITF is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the Fund's daily cash balance at the average rate of interest earned by CCITF, which varies depending on prevailing market interest rates.

4. LOANS TO LOCAL AUTHORITIES

	2001	2000
	(thousands of dollars)	
Loans to local authorities	$3,506,497	$3,599,220
Less: Unamortized discounts	51,547	71,419
	$3,454,950	$3,527,801

5. DEBT

(a) The debt of the Corporation is fully guaranteed by the Province of Alberta.

(b) Debt amounting to $2,880,816,000 (2000 - $3,097,555,000) held by the Canada Pension Plan Investment Fund (CPPIF) is redeemable at the option of the Minister of Finance of Canada by giving six months notice in writing and observing the other redemption provisions of the debt agreement.

The Corporation may prepay debt held by the CPPIF by providing 30 days notice prior to the proposed redemption date. The debt can be prepaid at market with the debt issued prior to January 1, 1998 discounted at the Government of Canada rate and debt issued after January 1, 1998 valued at the Province's borrowing rate.

(c) Debt redemption requirements during each of the next five years are as follows:

	Debt Redemption (thousands of dollars)
2002	$ 454,735
2003	601,023
2004	338,491
2005	283,604
2006	395,396
	$ 2,073,249

6. SHARE CAPITAL

Particulars of share capital are summarized hereunder:

		Number of Shares		
Class	Restricted to	Authorized	Issued and Fully Paid	Total Dollar Amount
A	Province of Alberta	4,500	4,500	$45,000
B	Municipalities, airport authorities and hospitals	1,000	852	8,520
C	Cities	750	582	5,820
D	Towns and villages	750	302	3,020
E	Schools, universities and colleges	500	136	1,360
		7,500	6,372	$63,720

During the year, three Class B and two Class E shares were issued and three Class D shares were cancelled at $10.00 each.

7. DIRECTORS' FEES AND RELATED PARTY TRANSACTIONS

Directors' fees paid by the Corporation are as follows:

	2001		2000	
	Number of Individuals	Total	Number of Individuals	Total
Chairman of the Board	1	$ 2,100	1	$ 2,100
Board members	6	$ 11,100	6	$ 11,000

There are two additional Board members who are employees of the Province of Alberta and do not receive compensation from the Corporation.

The Corporation has no employees. Included in administration and office expenses of $228,090 (2000 - $294,909) is the amount of $184,617 (2000 - $249,530) that was paid to the controlling shareholder, Province of Alberta, at prices which approximate market.

8. INTEREST RATE RISK

Interest rate risk refers to the potential impact of changes in interest rates on the Corporation's earnings and the fair value of the financial instruments when maturities of its financial assets are not matched with the maturities of its financial debt. The following table shows the maturities and effective rates of the Corporation's financial assets and liabilities:

As at December 31, 2001
(thousands of dollars)

Maturities	Within 1 Year	1 to 2 Years	3 to 5 Years	6 to 10 Years	Over 10 Years	2001 Total	2000 Total
Assets							
Cash	$ 30,917	$ -	$ -	$ -	$ -	$ 30,917	$ 22,273
Accrued Interest Receivable	128,422	-	-	-	-	128,422	138,838
Loans	46,963	130,425	541,622	1,359,637	1,427,850	3,506,497 (i)	3,599,220 (i)
Effective Rate	9.7%	9.1%	10.5%	10.0%	7.5%	9.0%	9.4%
Total	206,302	130,425	541,622	1,359,637	1,427,850	3,665,836	3,760,331
Liabilities							
Accrued Interest Payable	62,922	-	-	-	-	62,922	73,784
Debt	453,308	601,023	1,017,491	1,124,376	222,367	3,418,565	3,465,151
Effective Rate	11.3%	10.6%	11.5%	9.2%	6.3%	10.2%	11.1%
Total	516,230	601,023	1,017,491	1,124,376	222,367	3,481,487	3,538,935
Net Gap	$(309,928)	$(470,598)	$(475,869)	$ 235,261	$1,205,483	$ 184,349	$ 221,396

(i) This total is not reduced by unamortized discount of $51,547 (2000 - $71,419).

The Corporation manages on a continuous basis its interest rate risk by matching its debt maturity profile to the forecast cash flows and their effect on the Corporation's surplus position.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts set out in the table represent the fair value of the Corporation's financial instruments based on the following assumptions and valuation methods.

Fair value represents the Corporation's estimate of amounts for loans and debt that could be exchanged with unrelated parties who are interested in acquiring these instruments. For loans which lack an available trading market, fair value is based on estimates using net present value techniques which reflect the Corporation's lending rates.

Interest rate sensitivity is the main cause of changes in the fair value of the Corporation's financial instruments.

The fair value of cash, accrued interest receivable and payable, approximate their carrying value.

The following table presents the financial instruments with a carrying value different from the recorded value at December 31:

	2001		2000	
	Fair Value	Book Value	Fair Value	Book Value
	(thousands of dollars)			
Loans	$3,971,721	$3,454,950	$4,122,122	$3,527,801
Debt	$4,027,972	$3,418,565	$4,081,161	$3,465,151

10 . PAYMENT OF RETAINED EARNINGS TO THE MINISTER OF FINANCE

On March 19, 2002, the Government of Alberta announced in Budget 2002 the transfer of $100 million of the Corporation's retained earnings to the Province prior to March 31, 2003. Under Section 33 of the Financial Administration Act, the Corporation shall, on demand, remit the amount specified by the Minister of Finance.

11. BUDGET

The 2001 budget was approved by the Board of Directors on February 16, 2001.

Schedule 1

ALBERTA MUNICIPAL FINANCING CORPORATION
SCHEDULE OF DEBT
AS AT DECEMBER 31, 2001

(thousands of dollars)

Date of Issue	Maturity Date	Interest Rate	Principal Outstanding
Canada Pension Plan Investment Fund (Note 5(b))			
Jun 01, 1982	Jun 01, 2002	15.75	$274,735
Apr 05, 1983	Apr 05, 2003	13.82	209,284
Dec 01, 1983	Dec 01, 2003	11.50	231,739
Dec 03, 1984	Dec 03, 2004	13.25	338,491
Nov 01, 1985	Nov 01, 2005	11.66	283,604
Nov 03, 1986	Nov 03, 2006	9.85	395,396
Nov 02, 1987	Nov 02, 2007	9.66	335,383
Oct 03, 1988	Oct 03, 2008	10.04	259,294
Oct 02, 1989	Oct 02, 2009	9.99	291,414
Nov 01, 1989	Nov 01, 2009	9.62	32,457
Dec 01, 1989	Dec 01, 2009	9.26	6,652
Oct 01, 2000	Oct 01, 2020	6.28	222,367
Total			2,880,816
Public			
Nov 01, 2000	Jun 03, 2002	5.92	15,000
Nov 01, 2000	Jun 03, 2002	5.78	5,000
Nov 01, 2000	Jun 03, 2002	5.76	10,000
Dec 01, 2000	Jun 03, 2002	5.84	30,000
Dec 15, 2000	Sep 03, 2002	5.60	60,000
Dec 15, 2000	Sep 03, 2002	5.60	60,000
Aug 01, 2001	Aug 01, 2003	4.91	160,000
Sep 11, 2001	Sep 01, 2011	5.70	200,000
Total			540,000
			3,420,816
Less: Unamortized debt discount			2,251
Total debt 2001			$3,418,565
Total debt 2000			$3,465,151

ALBERTA PENSIONS ADMINISTRATION CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report
Balance Sheet
Statement of Income
Statement Cash Flow
Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of
Alberta Pensions Administration Corporation

I have audited the balance sheet of the Alberta Pensions Administration Corporation as at December 31, 2001 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
February 21, 2002

ALBERTA PENSIONS ADMINISTRATION CORPORATION
BALANCE SHEET
AS AT DECEMBER 31, 2001
($ thousands)

	2001	2000
ASSETS		
Cash (Note 5)	$ 423	$ 32
Accounts receivable	28	26
Prepaid expenses	6	20
Due from pension plans	2,222	1,230
Capital assets (Note 6)	4,028	1,495
	$ 6,707	$ 2,803
LIABILITIES AND SHAREHOLDER'S EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	$ 1,998	$ 758
Accrued salaries and benefits	156	35
Accrued vacation pay	510	455
Obligation under capital lease	15	60
Unearned capital contributions [Note 3(b)]	4,028	1,495
	6,707	2,803
Shareholder's equity:		
Share capital (Note 7)	-	-
	$ 6,707	$ 2,803

The accompanying notes are part of these financial statements.

On behalf of the Board:

Jack H. McMahon
Chairman of the Board

R. C. (Rick) Milner
Audit Committee Chairman

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	Budget 2001 (Note 16)	Actual 2001	Actual 2000
Revenue			
Service revenue (Note 8)	$ 18,843	$ 15,102	$ 12,528
Miscellaneous revenue (Note 9)	350	420	369
Total revenue	19,193	15,522	12,897
Operating costs before APEX project and plan specific costs			
Salaries and benefits	6,655	6,180	5,369
Data processing	2,863	2,824	2,690
Contract services	665	559	500
Materials and supplies	905	904	745
Rent	496	477	463
Amortization of capital assets	374	371	290
Operating costs before APEX project and plan specific costs	11,958	11,315	10,057
APEX project costs (Note 15)	4,648	2,448	511
Operating costs before plan specific costs	16,606	13,763	10,568
Plan specific costs (Note 11)	2,587	1,759	2,329
Total operating costs	19,193	15,522	12,897
Net income	$ -	$ -	$ -

ALBERTA PENSIONS ADMINISTRATION CORPORATION
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Operating activities		
Net income	$ -	$ -
Items not requiring cash		
Amortization	439	290
Loss on disposal of capital assets	-	20
Capital contributions recognized in current year	(439)	(290)
	-	20
Changes in non-cash working capital		
Decrease (increase) in accounts receivable	(2)	153
Decrease in prepaid expenses	14	-
Decrease (increase) in due from pension plans	(992)	471
Increase (decrease) in accounts payable and accrued liabilities	1,240	(1,004)
Increase (decrease)in accrued salaries and benefits	121	(103)
Increase in vacation pay	55	36
	436	(447)
	436	(427)
Investing activities		
Acquisition of capital assets		
APEX	(2,640)	(157)
Non-APEX	(332)	(460)
	(2,972)	(617)
Financing activities		
Decrease in capital lease obligation	(45)	(87)
Increase in capital contributions	2,972	597
	2,927	510
Increase (decrease) in cash for the year	391	(534)
Cash at beginning of year	32	566
Cash at end of year	$ 423	$ 32

ALBERTA PENSIONS ADMINISTRATION CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 AUTHORITY

The Alberta Pensions Administration Corporation (APA) was incorporated on August 10, 1995 under the Business Corporation Act, Chapter B-9, Revised Statutes of Alberta 2000 and commenced operations on November 1, 1995. The issued share of the Corporation is owned by the Province of Alberta, and accordingly the Corporation is exempt from income taxes.

NOTE 2 NATURE OF OPERATIONS

(a) Public Sector Pension Plans

The minister of Finance of Alberta, operating under the authority of the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000, is responsible for administering the following pension plans:

The Local Authorities Pension Plan
The Public Service Pension Plan
The Management Employees Pension Plan
The Special Forces Pension Plan
The Public Service Management (Closed Membership) Pension Plan
The Provincial Judges and Masters In Chambers Pension Plan
The Members of the Legislative Assembly Pension Plan

All administrative services required by the pension plans are provided by the Corporation pursuant to an agreement with the Minister dated November 1, 1995, as amended. These services include the collection of contributions, payment of benefits and refunds, communication to stakeholders, pension plan board support services and other services specifically approved by individual pension boards.

A new agreement has been signed between the Minister of Finance and APA for the continuation of pension administrative services for the period January 1, 2002 to December 31, 2004.

(b) Non-statutory Pension Plan

Effective January 1, 2001 the Universities Academic Pension Plan (UAPP) established itself as a non-statutory plan under the Employment Pension Plans Act. The UAPP Board of Trustees requested, and APA agreed, in an Administrative Services Agreement dated December 20, 2000, to provide certain pension administrative services to the Board of Trustees for the period of January 1, 2001 to December 31, 2002.

On November 9, 2001, the Trustees of the Universities Academic Pension Plan provided twelve months written notice to terminate this Administrative Services Agreement.

NOTE 3 SIGNIFICANT ACCOUNTING POLICY

(a) Capital Assets

Capital assets are recorded at cost.

Capital assets are amortized on a straight line basis over the estimated useful life of the asset as follows:

Computer equipment	2 to 3 years
Computer software	2 to 3 years
Furniture and equipment	5 years
Telephone system	3 years
Leasehold improvements	Lease period
APEX project	5 years

The costs of the Alberta Pensions Excellence (APEX) project, a business process reengineering initiative, directly attributable to the development, betterment or acquisition of computer software are capitalized. These activities include:

Costs associated with defining plan rules and developing specifications for programming new pension software.

Purchase and installation of new pension software.

Program modifications to new pension software.

Capital assets under construction, including software development projects, are not amortized until completion and implementation.

(b) Revenue Recognition

Contributions to acquire capital assets are recorded as unearned capital contributions. These amounts are recognized as revenue on the same basis as the acquired capital assets are amortized to operating costs.

(c) Pensions

The Corporation participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year

NOTE 4 VALUATION OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, accounts payable and accrued liabilities are estimated to approximate their book value.

NOTE 5 CASH

Cash consists of deposits in the Consolidated Cash Investment Trust Fund of the Province of Alberta. The Fund is invested primarily in securities maturing in less than one year which are either issued or guaranteed by the Canadian federal and provincial governments, deposits given by or guaranteed by chartered banks, or short-term investment grade quality notes of Canadian corporations. Interest is earned on the daily cash balance at the average rate of earnings of the Fund which varies depending on prevailing market interest rates. Interest earned on deposits is included in miscellaneous revenue.

NOTE 6 CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	($ thousnads)			
Computer equipment	$ 819	$ 537	$ 282	$ 228
Software development projects	113	113	-	7
Computer software	442	287	155	242
Furniture and equipment	511	191	320	317
Telephone system	43	43	-	-
Leasehold improvements	18	12	6	8
APEX project (Note 15)	3,333	68	3,265	693
	$ 5,279	$ 1,251	$ 4,028	$ 1,495

NOTE 7 SHARE CAPITAL

	2001	2000
Authorized		
Unlimited number of common shares		
Unlimited number of preferred shares		
Issued		
1 common share, for cash (Note 1)	$1	$1

NOTE 8 SERVICE REVENUE

The Corporation charged each pension plan with its respective share of the Corporation's operating costs less miscellaneous revenue.

	2001	2000
	($ thousands)	
Public Sector Pension Plans		
The Local Authorities Pension Plan	$ 8,887	$ 7,111
The Public Service Pension Plan	4,045	3,273
The Management Employees Pension Plan	686	486
The Special Forces Pension Plan	627	480
The Public Service Management (Closed Membership) Pension Plan	178	136
The Provincial Judges and Masters in Chambers Pension Plan	61	66
The Members of the Legislative Assembly Pension Plan	61	52
	14,545	11,604
Non-statutory Pension Plan		
The Universities Academic Pension Plan	557	924
Total Service Revenue	$ 15,102	$ 12,528

NOTE 9 MISCELLANEOUS REVENUE

	2001	2000
	($ thousands)	
Cost recovery related to the withdrawal of Enmax Corporation	$ 16	$ 12
Cost recovery from pension plans	358	293
Cost recovery from Alberta Justice	9	37
Interest	26	25
Other	11	2
	$ 420	$ 369

NOTE 10 RELATED PARTY TRANSACTIONS

The Corporation received the following services at amounts which approximate market from:

		2001	2000
		($ thousands)	
Alberta Finance	Accounting and administrative	$ 31	$ 29
Alberta Infrastructure	Postage and parking rental	104	89
Alberta Corporate Service Centre	Data processing	708	738

The Corporation also provided services to the Public Sector Pension Plans as disclosed in Note 8 and Note 9.

NOTE 11 PLAN SPECIFIC COSTS

The Corporation makes certain payments on behalf of the pension plans. These costs, which are incurred directly by the pension plans, and which the Corporation does not control, are as follows:

	2001	2000
	($ thousands)	
Remuneration for Pension Plan Boards	$ 120	$ 152
Salaries and benefits	253	404
Contract services	1,039	1,375
Materials and supplies	347	398
	$ 1,759	$ 2,329

NOTE 12 SALARIES AND BENEFITS DISCLOSURE

	2001			2000
	Salary [a]	Benefits and Allowances [b]	Total	Total
		($ thousands)		
Chairman of APA Board	$ 20	$ -	$ 20	$ 6
Board Members of APA	32	-	32	6
Executives:				
Chief Operating Officer	141	17	158	149
Executive Director Operations & Corporate Secretary	106	20	126	117
Executive Director Information Systems	103	20	123	112
Executive Director Finance and Administration	99	16	115	108
Executive Director Pension Policy	97	15	112	98

(a) Salary includes regular base pay, honoraria, bonuses and other lump sum payments.

(b) Benefits and allowances include the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, long-term disability, WCB premiums, professional memberships, tuition fees and vacation payouts.

(c) Remuneration paid to the Chairman and three Board Members is classified as contract services and is paid in accordance with the fee structure approved by the Minister of Finance.

(d) Benefits and allowances include vacation payments to the Chief Operating Officer $0 (2000 $5,000), the Executive Director Operations & Corporate Secretary $4,000 (2000 $4,000)and the Executive Director Information Systems $4,000 (2000 $3,000).

(e) The position was occupied by two individuals through the year.

NOTE 13 PENSION

The Corporation participates in the Management Employees Pension Plan and Public Service Pension Plan which are multiemployer pension plans. The expense for these pension plans is equivalent to the annual contributions of $348,000 for the year ended December 31, 2001 (2000 $292,000).

NOTE 14 COMMITMENTS

The Corporation has entered into agreements with minimum annual commitments as follows:

(a) As assignee in the lease agreement between the Landlord and Alberta Infrastructure for office space.

	($ thousands)
2002	$ 497

(b) Termination notice has been given, in February 2002, to the information technology services provider which has provided service since September 1, 1998. Commitments to April 12, 2002 are $463,000, excluding early contract termination penalties of $100,000 and wind down costs of up to $100,000.

(c) An agreement with a service provider for the development of the APEX project.

	Operating	Capital ($ thousands)	Total
2002	$ 2,069	$ 1,645	$ 3,714
2003	615	1,459	2,074
2004	104	9	113

(d) Details of the approved operating and capital budget for the APEX Project are shown in Note 15.

NOTE 15 APEX PROJECT

The APEX Project – Implementation Phase was commenced during the year and is the culmination of commitments received from the Public Service Pension Plan, the Local Authorities Pension Plan, the Management Employees Pension Plan and the Special Forces Pension Plan in support of the Implementation Phase. As a result, contracts have been signed with a service provider and a software vendor to complete the Implementation Phase of the Project.

APEX project costs incurred, expensed, capitalized and amortized during the year were as follows:

	2001	2000
	($ thousands)	
Costs incurred during the year	$ 5,088	$ 648
Costs expensed during the year		
Wind-up initial project	-	183
Alternatives phase	309	328
Implementation phase	2,071	-
Amortization	68	-
	2,448	511
Costs capitalized during the year	2,640	137
Costs amortized during the year	(68)	-
Capital asset balance at beginning of year	693	556
Capital asset balance at end of year	$ 3,265	$ 693

The recently approved operating and capital budget for the APEX project – Implementation Phase, Document Management Business Case and Document Imaging Business Case, excluding amortization, is $20,233,000.

	($ thousands)
Implementation Phase - 2001 - 2004	$ 17,545
Change in Scope Requests - 2002	468
Total Implementation Phase	18,013
Document Management Business Case - 2002	520
Document Imaging Business Case - 2002 - 2003	1,700
	20,233

NOTE 16 BUDGET

The 2001 budget was approved by the Board of Directors on November 16, 2000.

NOTE 17 COMPARATIVE FIGURES

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Revenue, Expense and Retained Earnings

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Member of
The Alberta Government Telephones Commission

I have audited the consolidated balance sheet of The Alberta Government Telephones Commission as at December 31, 2001 and the consolidated statements of revenue, expense and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 13, 2002

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2001

(thousands of dollars)

	2001	2000
ASSETS		
Cash and cash equivalents (Note 3)	$ 50,061	$ 45,378
Interest and accounts receivable	194	110
	$ 50,255	$ 45,488
LIABILITIES AND EQUITY		
Accounts payable and accrued liabilities	$ 194	$ 236
Income taxes (Note 2(c))	45,185	40,636
Due to the Province of Alberta (Note 4)	4,876	4,616
	50,255	45,488
Equity:		
Retained earnings	-	-
	$ 50,255	$ 45,488

The accompanying notes are part of these consolidated financial statements.

On behalf of the Commission:

R. J. Matheson
Chairman and Sole Commission Member

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF REVENUE, EXPENSE AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget (Note 6)	Actual	
Revenue:			
Interest on deposits	$ 1,800	$ 2,038	$ 3,539
Foreign exchange gain on notes	-	2,773	1,501
Interest and other	-	-	7,539
	1,800	4,811	12,579
Expense:			
Interest on income taxes	1,800	1,916	2,620
Foreign exchange loss on income taxes	-	2,633	1,522
Interest and other	-	2	7,248
	1,800	4,551	11,390
Net revenue from operations	-	260	1,189
Net revenue from discontinued operations (Note 2 (a))	-	-	(13)
Excess of revenue over expense for the year	-	260	1,176
Retained earnings at beginning of year	-	-	-
		260	1,176
Transfer to the Province of Alberta	-	(260)	(1,176)
Retained earnings at end of year	$ -	$ -	$ -

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001	2000
Operating Activities:		
Net revenue from operations	$ 260	$ 1,189
Changes in non-cash balances	4,423	12,523
	4,683	13,712
Discontinued operations (Note 2 (a))	-	(13)
Cash provided by operating activities	4,683	13,699
Investing Activities:		
Decrease in notes receivable	-	150,000
Cash provided by investing activities	-	150,000
Financing Activities:		
Repayment of debenture debt	-	(150,000)
Payment to the Province of Alberta (Note 4)	-	(75,000)
Cash applied to financing activities	-	(225,000)
Increase in cash and cash equivalents	4,683	(61,301)
Cash and cash equivalents at beginning of year	45,378	106,679
Cash and cash equivalents at end of year	$ 50,061	$ 45,378

THE ALBERTA GOVERNMENT TELEPHONES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 AUTHORITY

The Alberta Government Telephones Commission (the Commission) operates under the authority of the Telecommunications Act, Chapter T-3.5, Statutes of Alberta 1988, as amended.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

These consolidated financial statements include the wholly-owned discontinued subsidiary, 475342 Alberta Ltd., which was inactive and wound up during 2000.

All significant transactions between these companies were eliminated.

(b) Valuation of Assets and Liabilities

Due to the short-term nature of cash and cash equivalents and income taxes, the carrying value approximates fair value.

(c) Income Taxes

The income tax provision is management's estimate of income taxes payable for its U.S. subsidiaries wound-up in 1999.

(d) Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Foreign currency transactions are translated at the average exchange rate prevailing during the year.

NOTE 3 CASH AND CASH EQUIVALENTS

	2001	2000
	(thousands of dollars)	
Bank deposits	$ 689	$ 476
CCITF account	2,231	2,127
Short-term deposits	47,141	42,775
	$ 50,061	$ 45,378

The Consolidated Cash Investment Trust Fund (CCITF) is a demand account managed by Alberta Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

Short-term deposits are comprised of bank certificates that are reinvested as they mature.

NOTE 4 DUE TO THE PROVINCE OF ALBERTA

	2001	2000
	(thousands of dollars)	
Balance at beginning of year	$ 4,616	$ 78,440
Net operations		
475342 Alberta Ltd.	-	(13)
	-	(13)
Net revenue from operations of the Commission	260	1,189
Payment made to the Province of Alberta	-	(75,000)
Balance at end of year	$ 4,876	$ 4,616

Pursuant to section 15 of the Telecommunications Act, the amount due to the Province of Alberta can be paid, with the approval of the Lieutenant Governor in Council, with money that the Commission determines to be surplus.

NOTE 5 FEES AND BENEFITS

The Commission did not pay any fees or benefits to the Sole Commission Member. The Commission has no employees.

NOTE 6 BUDGET

The 2001 budget was published in the 2001-02 Government and Lottery Fund Estimates at page 191.

ALBERTA TREASURY BRANCHES
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002

Auditor's Report
Consolidated Balance Sheet
Consolidated Statement of Income
Consolidated Statement of Changes in Equity
Consolidated Statement of Cash Flows
Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the consolidated balance sheet of Alberta Treasury Branches as at March 31, 2002, and the consolidated statements of income, changes in equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of Alberta Treasury Branches' management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Alberta Treasury Branches as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
May 10, 2002

ALBERTA TREASURY BRANCHES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31

($ in thousands)

	2002	2001	2000
ASSETS			
Cash resources (Note 2)			
Cash and non-interest bearing deposits with banks	$ 104,434	$ 146,550	$ 89,829
Interest bearing deposits with banks	848,315	817,506	557,132
Cheques and other items in transit, net	15,627	-	-
	968,376	964,056	646,961
Securities (Note 3)	711,747	861,193	630,224
Loans, net of allowances for credit losses (Notes 4 and 5)			
Residential mortgage	4,423,668	3,977,883	3,651,396
Personal	1,629,781	1,510,325	1,389,823
Business and other	4,485,969	4,189,693	4,003,995
General allowance for credit losses	(138,855)	(123,649)	(111,639)
	10,400,563	9,554,252	8,933,575
Other			
Capital assets (Note 6)	74,661	74,183	63,616
Other assets (Notes 7, 11 and 15)	198,463	205,502	166,451
	273,124	279,685	230,067
	$12,353,810	$11,659,186	$10,440,827
LIABILITIES AND EQUITY			
Deposits (Note 8)			
Personal	$ 6,978,556	$ 6,307,770	$ 5,657,036
Business and other	4,446,654	4,611,093	4,267,590
	11,425,210	10,918,863	9,924,626
Other			
Other liabilities (Notes 5, 9, and 11)	306,385	282,118	227,329
Cheques and other items in transit, net (Note 2)	-	6,654	8,715
	306,385	288,772	236,044
Subordinated debentures (Note 10)	30,182	17,444	7,519
Equity	592,033	434,107	272,638
Commitments and contingent liabilities (Notes 5 and 14)			
	$12,353,810	$11,659,186	$10,440,827

The accompanying notes are an integral part of the consolidated financial statements.

R. Triffo, Chairman of the Board

B. Hesje, Chairman of the Audit Committee

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Interest income			
Loans	$ 669,422	$ 726,242	$ 644,255
Securities	34,697	43,355	28,085
Deposits with banks	35,326	40,229	31,401
	739,445	809,826	703,741
Interest expense			
Deposits	372,243	446,959	371,561
Subordinated debentures	1,619	898	309
	373,862	447,857	371,870
Net interest income	365,583	361,969	331,871
Provision for (recovery of) credit losses (Note 5)	21,095	20,969	(41,821)
Net interest income after provision for (recovery of) credit losses	344,488	341,000	373,692
Other income			
Service charges	45,751	44,229	41,551
Credit fees	25,581	17,238	17,677
Commission and other	12,045	11,937	24,491
Card fees	12,679	10,182	7,182
Foreign exchange	5,153	5,489	3,659
	101,209	89,075	94,560
Net interest and other income	445,697	430,075	468,252
Non-interest expenses			
Salaries and employee benefits (Notes 11 and 12)	146,789	134,856	111,676
Premises and equipment, including amortization	42,905	42,314	38,676
Communications and electronic processing	52,559	49,695	51,157
Other	45,518	41,741	38,253
	287,771	268,606	239,762
Net income	$ 157,926	$ 161,469	$ 228,490

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Equity at beginning of year	$ 434,107	$ 272,638	$ 44,148
Net income	157,926	161,469	228,490
Equity at end of year	$ 592,033	$ 434,107	$ 272,638

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2002	2001	2000
Cash flows from operating activities			
Net income	$ 157,926	$ 161,469	$ 228,490
Adjustments to determine net cash flows:			
Provision for (recovery of) credit losses	21,095	20,969	(41,821)
Amortization	17,419	16,379	14,041
Net changes in accrued interest receivable and payable	4,867	14,233	(3,255)
Other items, net	26,439	1,505	(23,927)
	227,746	214,555	173,528
Cash flows from financing activities			
Net change in deposits	506,347	994,237	902,316
Issue of subordinated debentures	12,738	9,925	7,519
	519,085	1,004,162	909,835
Cash flows from investing activities			
Net change in interest bearing deposit balances with banks	(30,809)	(260,374)	(56,474)
Purchase of investment securities	(7,752,564)	(6,762,829)	(5,100,139)
Maturity of investment securities	7,902,010	6,531,860	4,938,394
Net change in loans	(867,406)	(641,646)	(854,978)
Net purchases of capital assets	(17,897)	(26,946)	(23,486)
	(766,666)	(1,159,935)	(1,096,683)
Net (decrease) increase in cash and cash equivalents	(19,835)	58,782	(13,320)
Cash and cash equivalents at beginning of year	139,896	81,114	94,434
Cash and cash equivalents at end of year	$ 120,061	$ 139,896	$ 81,114
Represented by:			
Cash and non-interest bearing deposits with banks	$ 104,434	$ 146,550	$ 89,829
Cheques and other items in transit, net	15,627	(6,654)	(8,715)
	$ 120,061	$ 139,896	$ 81,114
Supplementary cash flow information:			
Amount of interest paid during the year	$ 378,411	$ 401,759	$ 359,661

The accompanying notes are an integral part of the consolidated financial statements.

ALBERTA TREASURY BRANCHES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002
($ IN THOUSANDS)

Alberta Treasury Branches (ATB) is an Agent of the Crown in right of Alberta and operates under the authority of the Alberta Treasury Branches Act, Revised Statutes of Alberta, 2000, chapter A-37. Under the Act, ATB was established as a provincial Crown corporation governed by a Board of Directors appointed by the Lieutenant Governor in Council. ATB's primary business is providing financial services within Alberta.

1. SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements are prepared by management in accordance with Canadian generally accepted accounting principles. Comparative amounts have been reclassified where necessary to conform with the current year's presentation. The significant accounting policies followed in the preparation of these Consolidated Financial Statements are summarized below:

- Basis of consolidation

  The Consolidated Financial Statements include the assets, liabilities and results of operations and cash flows of ATB and its wholly owned subsidiary, ATB Investment Services Inc. All intercompany transactions and balances have been eliminated.

- Translation of foreign currencies

  Assets and liabilities arising from foreign currency transactions are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The income and expenses related to these transactions are translated using the average exchange rate for the year. Realized and unrealized gains and losses arising from these translations are included in other income in the Consolidated Statement of Income.

- Use of estimates

  In preparing the Consolidated Financial Statements, management must make estimates and assumptions concerning values of certain assets and liabilities, net income and related disclosures reported in these Consolidated Financial Statements. Actual results could differ from these estimates.

- Specific accounting policies

  Other significant accounting policies are disclosed in the following notes with the related financial disclosure.

2. CASH RESOURCES

Cash resources consist of cash, operating and investment deposits with banks and items in transit. Deposits with banks are recorded at cost and interest income on interest bearing deposits is recorded on an accrual basis. Cheques and other items in transit represent the net position of uncleared settlements with other financial institutions and are recorded at cost.

If the total amount of uncleared settlements due to other financial institutions exceeds the total amount of uncleared settlements owed to ATB, the net amount is reported under other liabilities in the Consolidated Balance Sheet.

3. SECURITIES

Securities are reported at cost or amortized cost, adjusted to recognize other than temporary losses in the underlying value. All securities held are investment account securities purchased with the intention to hold them to maturity, or until market conditions render alternative investments more attractive. Gains and losses on disposal of securities are included in income in the year of disposal. The cost or amortized cost of securities approximates the market value of securities.

All securities held mature within one year and the balances are as follows:

	2002	2001	2000
Issued or guaranteed by Canada	$ 31,959	$ 106,756	$ 106,853
Corporate debt	679,788	754,437	523,371
	$ 711,747	$ 861,193	$ 630,224

Securities pledged at March 31, 2002 totalled $41,625 (2001: $91,600; 2000: $61,600)(Note 14).

4. LOANS

Loans are stated net of any unearned interest and of an allowance for credit losses. Interest income is recorded on an accrual basis, except for impaired loans. Impaired loans, except for credit cards, are classified as impaired when there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or principal or interest payments are 90 days past due.

Consumer credit card loans are classified as impaired and written off when principal or interest payments become 180 days past due. Business and agricultural credit card loans that become 90 days past due are removed from the credit card portfolio and transferred into the applicable impaired loan category.

When a loan is classified as impaired the carrying amount of the loan is reduced to its estimated realizable amount. Interest income on the loan ceases to be accrued. No portion of cash received on an impaired loan is recorded as interest income until such time as any prior write-offs or specific allowances have been reversed. Impaired loans are returned to performing status when there is reasonable assurance of the timely collection of all principal and interest, all arrears have been collected, and allowances for loan losses have been reversed.

Loan and commitment fees are deferred and recognized as other income over the term of the loan or over the commitment period, as appropriate. The unrecognised portion of loan and commitment fees is included in other liabilities in the Consolidated Balance Sheet.

Loans, net of the specific allowance for credit losses consist of the following:

	2002	2001	2000
Residential mortgage	$ 4,423,668	$ 3,977,883	$ 3,651,396
Personal	1,629,781	1,510,325	1,389,823
Agricultural	1,272,446	1,223,830	1,121,082
Independent business, commercial and other	3,213,523	2,965,863	2,882,913
General allowance	(138,855)	(123,649)	(111,639)
	$ 10,400,563	$ 9,554,252	$ 8,933,575

Total net loans include loans of $5,781 (2001: $10,343; 2000: $8,009) denominated in U.S. funds.

Impaired loans (included in the preceding schedule):

	2002			2001	2000
	Recorded investment	Allowance	Net carrying value	Net carrying value	Net carrying value
Residential mortgage	$ 29,648	$ 4,859	$ 24,789	$ 21,011	$ 11,348
Personal	7,336	3,096	4,240	4,876	3,794
Agricultural	10,131	2,092	8,039	17,451	37,733
Independent business, commercial and other	40,228	24,828	15,400	32,883	26,075
	87,343	34,875	52,468	76,221	78,950
General allowance	-	138,855	(138,855)	(123,649)	(111,639)
	$ 87,343	$ 173,730	$ (86,387)	$ (47,428)	$ (32,689)

The total recorded investment at March 31, 2002 in assets acquired in satisfaction of problem loans was $197, with an allowance for losses of $98 and a net carrying value of $99. (2001: $171; 2000: $130). These amounts are included in the preceding schedules.

5. ALLOWANCE FOR CREDIT LOSSES

The allowance for credit losses is maintained at a level considered adequate to absorb credit-related losses for all on- and off-balance sheet items. Off-balance sheet items include loan guarantees, letters of credit, and derivative financial instruments. The allowance for credit losses is deducted from the related asset category, and any amounts provided to cover potential losses from off-balance sheet items are included in other liabilities. The provision for credit losses that is recorded in the Consolidated Statement of Income represents the net credit loss experience for the year. It is the amount that is required to establish the adequate allowance for credit losses. The allowance consists of specific and general allowances.

The specific allowances on non-consumer impaired loans are established on a loan-by-loan basis to reduce the carrying value of the impaired loans to the amount expected to be recovered. Various methods are used to determine the net realizable values including the discounted value of estimated future cash flows, the fair value of any underlying security discounted to the amount recoverable in the event of realization, or the observable market value for the loan. The specific allowance on consumer loans is calculated using a formula based on recent loss experience. Any change in the amount expected to be recovered on an impaired loan is charged or credited to the provision for credit losses in the Consolidated Statement of Income.

The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined using a statistical estimate of probable losses inherent in the portfolio based on historical and expected loss experience, loan portfolio composition, and other relevant indicators. It is also based on management's judgement concerning the strength of the economy.

Changes in the allowance for credit losses are as follows:

	Specific			General			Total		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Balance at beginning of year	$ 93,240	$100,894	$109,429	$123,649	$111,639	$140,160	$216,889	$212,533	$249,589
Write-offs	(19,635)	(27,553)	(19,645)	-	-	-	(19,635)	(27,553)	(19,645)
Recoveries	10,094	10,940	24,410	-	-	-	10,094	10,940	24,410
Provision for (recovery of) credit losses	5,889	8,959	(13,300)	15,206	12,010	(28,521)	21,095	20,969	(41,821)
Balance at end of year	$ 89,588	$ 93,240	$100,894	$138,855	$123,649	$111,639	$228,443	$216,889	$212,533

The specific allowance at the end of year consists of an allowance for loan losses of $34,875 (2001: $36,297; 2000: $43,710) (Note 4), an allowance for loan guarantees of $45,000 (2001: $45,000; 2000: $45,000) (Note 9), and an allowance for the costs of credit recovery of $9,713 (2001: $11,943; 2000: $12,184).

6. CAPITAL ASSETS

Land is carried at cost. Buildings, equipment, software and leasehold improvements are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum estimated useful life for the various asset classes is as follows:

Buildings	to 20 years
Equipment and software	to 10 years
Leasehold improvements	to 10 years

Gains and losses on the disposal of capital assets are recorded in the Consolidated Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets to their fair market value are recorded in the Consolidated Statement of Income in the year of write-down.

As at March 31, 2002, the balances are as follows:

	2002			2001	2000
	Cost	Accumulated amortization	Net carrying value	Net carrying value	Net carrying value
Land	$ 7,649	$ -	$ 7,649	$ 7,186	$ 7,189
Buildings	62,879	47,779	15,100	15,119	17,782
Equipment and software	100,164	72,522	27,642	28,078	19,963
Leasehold improvements	55,349	31,079	24,270	23,800	18,682
	$ 226,041	$ 151,380	$ 74,661	$ 74,183	$ 63,616

Amortization charged to the Consolidated Statement of Income in respect to the above capital assets was $17,419 (2001: $16,379; 2000: $14,041)

7. OTHER ASSETS

	2002	2001	2000
Accrued interest receivable	$ 144,597	$ 154,013	$ 122,148
Other items, including accounts receivable, accrued pension benefit asset and prepaid items	53,866	51,489	44,303
	$ 198,463	$ 205,502	$ 166,451

8. DEPOSITS

Repayment of all deposits, including accrued interest, is guaranteed by the Crown in right of Alberta. A deposit guarantee fee is assessed by the Crown. For the year ended March 31, 2002 the fee was $15,234 (2001: $12,738; 2000: $9,925).

Deposits are summarized as follows:

	2002				2001	2000
	Payable on demand	Payable after notice	Payable on a fixed date	Total	Total	Total
Personal	$ 734,002	$ 1,248,426	$ 4,996,128	$ 6,978,556	$ 6,307,770	$5,657,036
Business and other	1,629,522	312,903	2,504,229	4,446,654	4,611,093	4,267,590
	$ 2,363,524	$ 1,561,329	$ 7,500,357	$11,425,210	$10,918,863	$9,924,626

Total deposits include $124,139 (2001: $96,574; 2000: $101,220) denominated in U. S. funds.

As at March 31, 2002, deposits by the Province of Alberta total $16,963 (2001: $33,307; 2000: $46,468) and include deposits for loans made under the Alberta Farm Credit Stability Program in the amount of $15,972 (2001: $32,165; 2000: $45,439).

9. OTHER LIABILITIES

	2002	2001	2000
Accrued interest payable	$ 143,904	$ 148,453	$ 102,355
Allowance for credit losses on loan guarantees (Note 14)	45,000	45,000	45,000
Other items, including accounts payable, deposit guarantee fee payable, accrued pension benefit liability and other accrued liabilities	117,481	88,665	79,974
	$ 306,385	$ 282,118	$ 227,329

10. SUBORDINATED DEBENTURES

Subordinated debentures are unsecured and subordinated to deposits and other liabilities. The following debentures were privately placed with the Crown in right of Alberta and represent ATB's obligation for the cost of the deposit guarantee for years prior to 2002. These debentures are non-convertible, non-redeemable, non-transferrable, and bear a fixed interest rate payable semi-annually.

Maturity Date	Interest Rate	2002	2001	2000
June 30, 2004	5.475%	$ 7,519	$ 7,519	$ 7,519
June 30, 2005	6.540%	9,925	9,925	-
June 30, 2006	5.840%	12,738	-	-
		$ 30,182	$ 17,444	$ 7,519

11. EMPLOYEE FUTURE BENEFITS

ATB participates with other Alberta public sector employers in the Public Service Pension Plan (PSPP). The PSPP is a defined benefit pension plan which provides pension benefits for ATB's non-management employees based on years of service and earnings. ATB accounts for the cost of its participation in the PSPP on a defined contribution basis. Expenses related to this plan were $2,699 (2001: $2,492; 2000: $2,391) and are recorded in salaries and employee benefits in the Consolidated Statement of Income.

For its management employees, ATB provides a registered pension plan with defined benefit and defined contribution provisions and a defined benefit supplemental plan. Assets are set aside to satisfy the pension obligation of the registered plan. ATB has the ultimate responsibility for ensuring that the liabilities of the registered plan are adequately funded over time. The supplemental plan is not pre-funded and benefits are paid from ATB's assets as they become due.

The cost of the defined contribution provisions of the registered plan is recorded based on the contributions from ATB in the current year, and is included in the Consolidated Statement of Income under salaries and employee benefits. In the year ended March 31, 2002 the expense was $2,773 (2001: $2,479; 2000: $2,349).

The pension expense for the defined benefit provisions of the registered plan and for the supplemental plan is actuarially determined as the cost of employee benefits earned in the year, interest expense on the accrued benefit obligation, expected investment return on the plan assets and amortization of deferred amounts, using management's best estimate and actuarial assumptions outlined in the following table. It is recorded in the Consolidated Statement of Income as a component of salaries and employee benefits. The difference between the pension expense and the actual cash contributions to the plan is recorded in the Consolidated Balance Sheet as part of other assets or other liabilities, as appropriate.

Management employees defined benefit pension plans

	Registered plan			Supplemental plan		
	2002	2001	2000	2002	2001	2000
Change in fair value of plan assets						
Fair value of plan assets at beginning of year	$ 58,316	$ 54,448	$ 43,544	$ -	$ -	$ -
Contributions from ATB	948	-	2,578	7	-	-
Contributions from employees	904	977	1,018	-	-	-
Actual return on plan assets	2,059	3,988	7,849	-	-	-
Benefits paid	(1,120)	(399)	(541)	(7)	-	-
Transfers to other plans	(4,672)	(698)	-	-	-	-
Fair value of plan assets at end of year	$ 56,435	$ 58,316	$ 54,448	$ -	$ -	$ -
Change in projected benefit obligation						
Projected benefit obligation at beginning of year	$ 57,326	$ 51,817	$ 39,307	$ 1,028	$ 415	$ -
Actuarial loss (gain)	5,381	(215)	8,348	156	125	114
Current service cost	2,233	2,483	2,138	578	429	291
Interest cost	3,907	3,640	2,565	95	59	10
Benefits paid	(1,120)	(399)	(541)	(7)	-	
Transfers to other plans	(3,987)	-	-	-	-	-
Projected benefit obligation at end of year	$ 63,740	$ 57,326	$ 51,817	$ 1,850	$ 1,028	$ 415
Funded status						
Plan (deficit) surplus	$ (7,305)	$ 990	$ 2,631	$ (1,850)	$ (1,028)	$ (415)
Unamortized initial transition asset	(2,758)	(3,389)	(3,813)	-	-	-
Unamortized actuarial net loss	12,557	5,314	4,210	385	239	114
Accrued benefit asset (liability)	$ 2,494	$ 2,915	$ 3,028	$ (1,465)	$ (789)	$ (301)
Annual benefit expense						
Service cost, net of employee contributions	$ 1,329	$ 1,506	$ 1,120	$ 578	$ 429	$ 291
Interest cost	3,907	3,640	2,565	95	59	10
Expected return on plan assets	(4,305)	(4,609)	(3,711)	-	-	-
Amortization of initial transition asset	(394)	(424)	(424)	10		
Loss on transfers to other plans	832	-	-	-	-	-
Net pension benefit expense	$ 1,369	$ 113	$ (450)	$ 683	$ 488	$ 301
Actuarial assumptions used in actuarial valuations						
Discount rate at beginning of year	7.25%	7.00%	6.50%	7.25%	7.00%	6.50%
Discount rate at end of year	6.75%	7.25%	7.00%	6.75%	7.25%	7.00%
Return on plan assets	8.00%	9.00%	8.50%	-	-	-
Rate of inflation	2.75%	2.50%	1.50%	2.75%	2.50%	1.50%
Rate of increase in future compensation [1]	4.50%	4.00%	2.50%	4.75%	4.75%	3.50%

(1) The assumed compensation increase trend for the registered plan was based on an estimated increase of 4.75% per annum for three years and 3.25% thereafter, and for the supplemental plan on an estimated increase of 4.75% per annum. An increase of one percentage point in compensation trends would have increased the 2002 net pension benefit expense of the registered plan by $471 and of the supplemental plan by $107.

12. DISCLOSURE OF SALARIES AND BENEFITS

ATB is an Agent of the Crown in right of Alberta, and as such, is required to disclose the following information as per the Salary and Benefits Disclosure Directive made by the Treasury Board, pursuant to sections 5, 6 and 7 of the Financial Administration Act. This directive applies to all departments, regulated funds, provincial agencies and Crown-controlled organizations. The amounts disclosed in the following table are the amounts earned in the year.

	2002						2001
	Base salary	Variable pay (1)	Deferred variable pay (2)	Total salary	Benefits and allowances	Total	Total
Chairman of Board	$ 58	$ -	$ -	$ 58	-	$ 58	$ 45
Board Members (11)	358	-	-	358	-	358	300
President and Chief Executive Officer (3)	310	40	42	392	72	464	523
Chief Operating Officer (4)	82	31	32	145	27	172	-
Executive Vice-President Sales	108	30	33	171	53	224	367
Executive Vice-President Marketing	168	47	52	267	64	331	331
Executive Vice-President Credit	164	45	49	258	63	321	310
Senior Vice-President Electronic & Centralized Services (5)	102	29	32	163	39	202	328
Chief Financial Officer	140	43	48	231	55	286	301
Vice President Human Resources	126	35	38	199	51	250	249

(1) Variable pay is determined based on goal attainment in the fiscal year and will be paid in June 2002.

(2) Deferred variable pay is reported as earned in the year. Payment is deferred for up to 2.5 years and is dependent upon the employee's continued employment with ATB. The actual amount the employee will receive will appreciate or depreciate from the amount shown based on a specified methodology to reflect ATB's actual financial performance in the next two fiscal years.

(3) The position was occupied by two individuals consecutively in the year.

(4) The position was established effective November, 2001 as a result of reorganization.

(5) The position was abolished effective November, 2001 as a result of reorganization.

Total salary includes all earned regular base pay, variable pay, deferred variable pay, bonuses, lump sum payments, retainers, fees, retroactive pay adjustments and any other direct cash remuneration. Accumulated vacation was paid out to the President and Chief Executive Officer (2002: $4; 2001: $0), the Executive Vice-President credit (2002: $6; 2001: $0) and the Chief Financial Officer (2002: $0; 2001: $3). These amounts are included in the salary figure.

Benefits and allowances consist of the employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, vision coverage, medical benefits, group life insurance, accidental disability and dismemberment insurance, long-term disability plans, and employer's statutory contributions. The benefits and allowances figure also includes the cost of additional benefits such as perquisite allowances.

An automobile was provided for the President and Chief Executive Officer; no amount is included in the benefits and allowances figure.

13. RELATED PARTY TRANSACTIONS

In the ordinary course of business, ATB provides normal banking services to various Province of Alberta departments and agencies on terms similar to those offered to non-related parties (Note 8).

On June 30, 2001 a subordinated debenture issue was privately placed with the Crown in right of Alberta (Note 10).

ATB provides banking services to its directors, officers, and employees at various terms and rates. Directors do not receive preferential rates. As at March 31, 2002, the total outstanding balances of loans and residential mortgages to these parties were $150,187 (2001: $164,534; 2000: $164,245).

14. COMMITMENTS & CONTINGENT LIABILITIES

- Credit instruments

In the normal course of business, ATB enters into various commitments to provide customers with sources of credit. These include credit commitments, letters of credit, letters of guarantee and loan guarantees.

Guarantees and standby letters of credit represent an irrevocable obligation to make payments to a third party in the event that the customer is unable to meet its financial or performance contractual obligations. In the event of a call on such commitments, ATB has recourse against the customers. Documentary and commercial letters of credit require ATB to honour drafts presented by third parties upon completion of specific activities.

Commitments to extend credit represent undertakings to make credit available in the form of loans or other financing for specific amounts and maturities, subject to certain conditions, and include recently authorized credit not yet drawn down, and credit facilities available on a revolving basis.

These credit arrangements are subject to ATB's normal credit standards, and collateral may be obtained where appropriate. The contract amounts represent the maximum credit risk exposure to ATB should the contracts be fully drawn, and any collateral held proves to be of no value. As many of these arrangements will expire or terminate without being drawn upon, the contract amounts do not necessarily represent the future cash requirements.

Contract amounts as at March 31 were:

	2002	2001	2000
Guarantees	$ 440,744	$ 410,579	$ 413,977
Letters of credit	3,026	4,904	2,801
Commitments to extend credit	2,245,554	2,098,536	1,765,137
	$ 2,689,324	$ 2,514,019	$ 2,181,915

- Lease commitments

ATB has obligations under long-term non-cancellable operating leases for buildings and equipment. The future minimum lease payments for each of the next five years and thereafter are:

2003	$ 18,156
2004	16,510
2005	15,315
2006	14,756
2007	13,951
2008 and thereafter	41,185
	$ 119,873

The total lease expense charged to the Consolidated Statement of Income is $16,016 (2001: $16,599; 2000: $16,208).

- Litigation

  Various actions and legal proceedings arising from the normal course of business are pending against ATB. Management does not consider the aggregate liability, if any, of these actions and proceedings to be material.

- Pledged Assets

  In the ordinary course of business, ATB pledges securities to the Bank of Canada in order to participate in clearing and payment systems and to have access to its facilities. Amounts pledged at March 31 are provided in Note 3.

- West Edmonton Mall loan guarantee

  Under the terms of a guarantee agreement dated October 31, 1994, relating to the refinancing of West Edmonton Mall (WEM), ATB guaranteed to the Toronto Dominion Bank (TD Bank) repayment of a $353,000 credit facility in accordance with the terms of the agreement, and in any event by October 31, 2004.

  In the event that ATB is required to honour its guarantee, the net cost to ATB would be the difference between the amount then owed to the TD Bank and the proceeds from a realization or refinancing of WEM. In 1998 ATB obtained an appraisal that values WEM at $300,000. As a result of this appraisal, ATB has provided for a loan guarantee loss of $45,000, having regard to the difference between the appraised value and the amount owed to the TD Bank.

  On August 25, 1998, ATB filed a Statement of Claim against the owners of WEM and others. ATB seeks to have the refinancing agreements set aside. ATB claims in the alternative that the owners of WEM have defaulted on their obligation to maintain the facility to the standard required under the loan agreements. It is management's opinion that if the facility is not properly maintained, the value of WEM could decline below $300,000, thereby, potentially increasing ATB's liability under its guarantee to the TD bank. Any increase in ATB's liability under the guarantee would be charged against earnings in the year it is identified. Management believes it has taken the necessary steps to minimize ATB's exposure under the guarantee to a point where a material addition to the existing provision is unlikely.

  In April and June 1998, WEM provided ATB with copies of purported agreements dated November 15, 1994, February 23, 1996 and March 25, 1996, that purport to amend the WEM refinancing agreements dated October 31, 1994. The agreements purport to extend the term of the guarantee to 2014 and to amend the terms of repayment and other provisions of the refinancing agreements. Management believes that it will be successful in its legal action to set aside these purported amending agreements and as a result no liability to them has been established.

  In December 1998, and January 1999, two counterclaims were filed in this action by the owners of WEM and others against ATB. These counterclaims are for significant amounts. In the opinion of management, these counterclaims are without merit and are unlikely to result in a material loss.

15. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative products used by ATB include interest rate swaps, interest rate caps, interest rate floors, foreign exchange forward contracts, equity-linked call options, commodity-linked call options, and equity-linked option contracts. ATB enters into derivative transactions for risk management purposes, and does not act as an intermediary in this market, except for the foreign exchange forward contracts, which ATB provides to its customers for the purposes of meeting their day to day business needs and which are fully hedged to eliminate foreign exchange exposure.

The interest rate contracts are used to manage exposures to fluctuations in interest rates in ATB's overall portfolio or in specific financial instruments. The equity and commodity linked contracts are used to manage exposures to fluctuations in underlying equity and commodity prices and indices, arising from specific financial instruments.

Income and expense associated with interest rate contracts and equity and commodity linked contracts is accounted for on an accrual basis and recognized over the life of the contract as an adjustment to net interest income. Income from foreign exchange forward contracts is included in other income. Realized gains and losses from early termination of derivative financial instruments are amortized over the remaining original life of the contract. Deferred gains and losses are recorded in other assets or other liabilities, as appropriate. The total amount of prepaid premiums at March 31, 2002 is $38,652 (2002: $30,650; 2000: $18,577) and is recorded in other assets in the Consolidated Balance Sheet.

The derivative financial instruments are not recorded in the Consolidated Balance Sheet. Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

The notional amounts of derivative contracts are summarized as follows:

	2002			2001	2000
	Term to maturity				
	Within 1 year	1 to 5 years	Total	Total	Total
Interest rate contracts					
Interest rate swaps	$ 1,575,000	$ 565,000	$ 2,140,000	$ 1,555,000	$ 813,750
Interest rate caps	-	35,000	35,000	35,000	125,000
Interest rate floors	100,000	-	100,000	-	-
	1,675,000	600,000	2,275,000	1,590,000	938,750
Equity and commodity linked contracts	107,200	347,850	455,050	330,650	273,300
Foreign exchange forward contracts	1,608	544	2,152	5,141	8,151
	$ 1,783,808	$ 948,394	$ 2,732,202	$ 1,925,791	$1,220,201

The current replacement cost and fair value of derivative contracts are summarized as follows:

			Current replacement cost	
2001	Notional amount	Net fair value	Favourable position	Unfavourable position
Interest rate contracts				
Interest rate swaps	$ 2,140,000	$ (5,128)	$ 9,504	$ 14,632
Interest rate caps	35,000	51	51	-
Interest rate floors	100,000	-	-	-
Equity linked contracts	455,050	29,468	29,468	
Foreign exchange forward contracts	2,152	-	19	19
Total	$ 2,732,202	$ 24,391	$ 39,042	$ 14,651
2001 Total	$ 1,925,791	$ 49,942	$ 59,903	$ 3,961
2000 Total	$ 1,220,201	$ 75,071	$ 76,175	$ 1,104

Fair values are determined using pricing models which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. Fair values have been segregated between those contracts which are in a favourable position (positive fair value) and those contracts which are in an unfavourable position (negative fair value).

Current credit exposure is limited to the amount of loss that ATB would suffer if every counterparty to which ATB was exposed were to default at once, which is represented by the current replacement cost of all outstanding contracts in a favourable position. ATB attempts to limit its credit exposure by dealing with counterparties believed to be credit worthy.

16. ESTIMATED FAIR VALUE OF BALANCE SHEET FINANCIAL INSTRUMENTS

The estimated fair values approximate values at which ATB's financial instruments could be exchanged in a transaction between willing parties who are under no compulsion to act. Since many of ATB's financial instruments lack an available trading market, the fair values presented represent estimates of the current market value of instruments, taking into account changes in market rates that have occurred since their origination. Fair values are determined using various valuation methods and assumptions. For items which are short-term in nature, the estimated fair value is equal to carrying value. These include cash resources, securities, other assets and other liabilities. For floating rate financial instruments, fair value is equal to carrying value as the interest rates automatically reprice to market. For fixed rate loans, fair value is determined by discounting the expected future cash flows at market rates. For fixed rate deposits, fair value is determined by discounting the contractual cash flows using market interest rates currently offered for deposits with similar terms.

Due to the use of subjective assumptions and uncertainties, the fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

The estimated fair values disclosed do not reflect the value of items that are not considered financial instruments, such as capital assets.

Estimated fair values of balance sheet financial instruments are summarized as follows:

	2002			2001			2000		
	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over carrying value	Carrying value	Fair value	Fair value over (under) carrying value
Assets									
Cash resources	$ 968,376	$ 968,376	$ -	$ 964,056	$ 964,056	$ -	$ 646,961	$ 646,961	$
Securities	711,747	711,747		861,193	861,193		630,224	630,224	
Loans	10,400,563	10,661,762	261,199	9,554,252	9,720,444	166,192	8,933,575	8,810,784	(122,791)
Other assets	198,463	198,463	-	205,502	205,502		166,451	166,451	
Liabilities									
Deposits	11,425,210	11,446,659	21,449	10,918,863	11,066,983	148,120	9,924,626	9,953,354	28,728
Other	336,567	336,567		306,216	306,216		243,563	243,563	

17. INTEREST RATE RISK

Interest rate risk is the risk that net interest income will decrease because of an adverse movement in interest rates. The following table details the gap between interest sensitive assets and interest sensitive liabilities, based on the earlier of the repricing or maturity date of both on- and off-balance sheet assets and liabilities.

	Term to maturity/repricing							
2002	Within 3 months	3 - 6 months	6 - 12 months	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash	$ 104,434	$ -	$ -	$ 104,434	$ -	$ -	$ -	$ 104,434
Effective interest rate	2.15%	-	-	2.15%	-	-	-	2.15%
Securities and interest bearing deposits with banks	1,427,803	78,181	54,078	1,560,062	-	-	-	1,560,062
Effective interest rate	2.22%	3.14%	2.46%	2.28%	-	-	-	2.28%
Loans	4,921,251	323,835	631,928	5,877,014	4,365,413	41,169	116,967	10,400,563
Effective interest rate	4.72%	6.87%	6.86%	5.07%	6.90%	7.54%	8.20%	5.88%
Other	-	-	-	-	-	-	288,751	288,751
	6,453,488	402,016	686,006	7,541,510	4,365,413	41,169	405,718	12,353,810
Liabilities and Equity								
Deposits	4,177,420	552,934	1,256,929	5,987,283	3,235,479	-	2,202,448	11,425,210
Effective interest rate	1.71%	3.93%	3.60%	2.31%	4.81%	-	0.17%	2.61%
Other liabilities and equity	-	-	-	-	-	-	898,418	898,418
Subordinated debenture	-	-	-	-	-	-	30,182	30,182
Effective interest rate	-	-	-	-	-	-	5.98%	5.98%
	4,177,420	552,934	1,256,929	5,987,283	3,235,479	-	3,131,048	12,353,810
On-balance sheet gap	2,276,068	(150,918)	(570,923)	1,554,227	1,129,934	41,169	(2,725,330)	-
Derivatives used for asset/liability gap management (notional amounts)								
Pay side swaps	(1,725,000)	-	-	(1,725,000)	(415,000)	-	-	(2,140,000)
Effective interest rate	2.15%	-	-	2.15%	5.38%	-	-	
Receive side swaps	865,000	100,000	1,025,000	1,990,000	150,000	-	-	2,140,000
Effective interest rate	3.43%	4.32%	2.78%	3.14%	3.00%	-	-	
Off-balance sheet gap	(860,000)	100,000	1,025,000	265,000	(265,000)	-	-	-
Net gap	$1,416,068	$ (50,918)	$ 454,077	$1,819,227	$ 864,934	$ 41,169	$(2,725,330)	$ -
% of assets	11.46%	(0.41%)	3.68%	14.73%	7.00%	0.33%	(22.06%)	
2001								
Net gap	$1,201,514	$259,170	$ 72,190	$1,532,874	$ 735,677	$ 22,712	$(2,291,263)	$ -
% of assets	10.31%	2.22%	0.62%	13.15%	6.31%	0.19%	(19.65%)	
2000								
Net gap	$ 331,709	$371,930	$ (550,055)	$ 153,584	$ 783,768	$ 38,198	$ (967,550)	$ -
% of assets	3.18%	3.56%	(5.27%)	1.47%	7.43%	0.37%	(9.27%)	

The gap position is presented as of the close of the business day (March 31). It represents the position of ATB for that day only and may change significantly due to customer preferences and risk management policies.

Non-interest bearing accounts are reported as non-interest sensitive. Due to the current rate environment, interest bearing accounts which no longer demonstrate a direct correlation with market interest rate movements and are no longer deemed to be sensitive are reported as non-interest sensitive.

18. CREDIT RISK

Credit risk is the risk of loss due to borrowers failing to meet their financial obligations. Credit risk arises from both on- and off-balance sheet transactions. ATB's credit risk is significantly influenced by movements in the Alberta economy which in recent years has shown strong growth and occasional sharp declines. The credit risk is managed to ensure diversification by limiting concentrations to single borrowers and industries. The 1994 guarantee for the West Edmonton Mall financing disclosed in Note 14 is an exception. Further, policies and procedures are established to promote sound lending practices and ensure prompt attention to problem loans.

19. MARKET SEGMENT INFORMATION

ATB conducts its business through market segments that offer different products and services – deposit business, individual lending, agricultural lending and independent and commercial business lending. The deposit business market segment provides a wide range of deposit and investment products and sundry financial services to all clients. The lending business market segments provide a variety of credit products and services including credit cards, designed specifically for each particular group of borrowers.

Results for these market segments presented in the following table are based on ATB's internal financial reporting systems and are consistent with the accounting policies followed in the preparation of ATB's Consolidated Financial Statements. The assets and liabilities are transfer-priced based on their nature and term to determine the net interest income. Non-interest expenses are not currently allocated to the market segments.

2002	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 140,354	$ 97,207	$ 32,283	$ 83,370	$ 12,369	$ 365,583
Other income	50,754	15,489	2,891	21,132	10,943	101,209
Total revenue	191,108	112,696	35,174	104,502	23,312	466,792
Provision for credit losses	-	5,140	329	8,202	7,424	21,095
Net interest and other income	191,108	107,556	34,845	96,300	15,888	445,697
Non-interest expenses						287,771
Net income						$ 157,926
Average loans	$ -	$ 5,724,320	$ 1,241,434	$ 3,062,682	$ (67,267)	$ 9,961,169
Average deposits	10,256,078				1,108,959	11,365,037
Total assets	-	6,029,105	1,264,407	3,197,688	1,862,610	12,353,810

2001	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 153,409	$ 84,389	$ 28,131	$ 73,944	$ 22,096	$ 361,969
Other income	49,527	9,497	1,762	16,770	11,519	89,075
Total revenue	202,936	93,886	29,893	90,714	33,615	451,044
Provision for credit losses		4,643	230	12,176	3,920	20,969
Net interest and other income	202,936	89,243	29,663	78,538	29,695	430,075
Non-interest expenses						268,606
Net income						$ 161,469
Average loans	$ -	$ 5,288,991	$ 1,156,234	$ 2,968,031	$ (45,935)	$ 9,367,321
Average deposits	9,112,680				1,361,373	10,474,053
Total assets	-	5,468,753	1,206,379	2,932,195	2,051,859	11,659,186

2000	Deposit business	Lending business: Individual	Lending business: Agricultural	Lending business: Independent business and commercial	Other *1	Total
Net interest income	$ 135,058	$ 69,726	$ 25,055	$ 67,251	$ 34,781	$ 331,871
Other income	31,533	4,912	1,710	11,055	45,350	94,560
Total revenue	166,591	74,638	26,765	78,306	80,131	426,431
Provision for (recovery of) credit losses		3,668	682	10,541	(56,712)	(41,821)
Net interest and other income	166,591	70,970	26,083	67,765	136,843	468,252
Non-interest expenses						239,762
Net income						$ 228,490
Average loans	$ -	$ 4,743,410	$ 1,062,809	$ 2,705,505	$ (48,937)	$ 8,462,787
Average deposits	8,270,056				1,313,391	9,583,447
Total assets		5,041,219	1,121,082	2,874,029	1,404,497	10,440,827

[1] Comprised of business of a corporate nature such as investment, risk management, asset liability management and treasury operations, as well as revenue, expenses and general allowances and recoveries for credit losses not expressly attributed to the market segments. It also includes the financial implications of the West Edmonton Mall guarantee (Note 14), which is not typical of normal business activities of ATB.

ATB INVESTMENT SERVICES INC.

Financial Statements

March 31, 2002

Auditor's Report

Balance Sheet

Statement of Income

Statement of Changes in Shareholder's Deficit

Statement of Cash Flows

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of ATB Investment Services Inc.

I have audited the balance sheet of ATB Investment Services Inc. as at March 31, 2002, and the statements of income, changes in shareholder's deficit and cash flows for the year then ended. These financial statements are the responsibility of ATB Investment Services Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of ATB Investment Services Inc. as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
June 7, 2002

ATB INVESTMENT SERVICES INC.
BALANCE SHEET
AS AT MARCH 31

	2002	2001
ASSETS		
Current assets:		
Cash	$ 300,000	$ 300,000
Prepaid expenses	100,493	88,954
	400,493	388,954
Non-current assets:		
Capital Assets (Note 2)	136,734	94,822
Total assets	$ 537,227	$ 483,776
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Non-current liabilities		
Due to ATB (Note 3)	$ 464,734	$ 793,016
Subordinated note (Note 4)	1,910,196	1,117,180
	2,374,930	1,910,196
Shareholder's deficit		
Share capital (Note 5)	1,000	1,000
Deficit	(1,838,703)	(1,427,420)
	(1,837,703)	(1,426,420)
Total liabilities and shareholder's deficit	$ 537,227	$ 483,776

The accompanying notes are an intergral part of these financial statements.

Allison D. O'Brien Director	Craig Warnock Director

ATB INVESTMENT SERVICES INC.
STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31

	2002	2001
Commission income	$ 1,252,966	$ 732,228
Other income	11,579	-
Total income	1,264,545	732,228
Administrative and selling expenses		
Salaries and employee benefits	724,677	629,841
Processing, selling and premises rental (Note 6)	341,102	298,467
Professional and training	312,535	258,978
Other expenses	192,136	139,434
	1,570,450	1,326,720
Interest expense	105,378	95,048
Total expenses	1,675,828	1,421,768
Net loss	$ 411,283	$ 689,540

ATB INVESTMENT SERVICES INC.
STATEMENT OF CHANGES IN SHAREHOLDER'S DEFICIT
FOR THE YEAR ENDED MARCH 31

	2002	2001
Share capital	$ 1,000	$ 1,000
Deficit:		
Deficit, beginning of year	1,427,420	737,880
Net loss for the year	411,283	689,540
Deficit, end of year	1,838,703	1,427,420
Total shareholder's deficit	$ 1,837,703	$ 1,426,420

ATB INVESTMENT SERVICES INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31

	2002	2001
Cash flows from operating activities		
Net loss	$(411,283)	$(689,540)
Adjustments to determine net cash flows:		
Increase in prepaid expenses	(11,539)	(8,654)
Amortization expense	39,929	14,064
	(382,893)	(684,130)
Cash flows from financing activities:		
Issue of subordinate note	793,016	1,018,180
Decrease in Due to ATB	(328,282)	(25,164)
	464,734	993,016
Cash flows from investing activities:		
Purchases of capital asssets	(81,841)	(108,886)
Net change in cash	–	200,000
Cash, beginning of year	300,000	100,000
Cash, end of year	$ 300,000	$ 300,000

ATB INVESTMENT SERVICES INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2002

ATB Investment Services Inc. (ATBIS) is a wholly owned subsidiary of Alberta Treasury Branches (ATB), established for the purpose of distributing mutual funds to customers of ATB. ATBIS was incorporated under the Business Corporations Act (Alberta) on October 3, 1997.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared by management in accordance with Canadian generally accepted accounting principles.

Use of Estimates

In preparing the financial statements, management makes estimates and assumptions considering values of certain assets and liabilities, net income and related disclosures reported in these financial statements. Actual results could differ from these estimates.

Fair Value of Financial Instruments

At March 31, 2002 the estimated fair values of Cash, Due to ATB and Subordinated Notes approximate their carrying values.

NOTE 2 CAPITAL ASSETS

Equipment and software are reported at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful life of the related assets.

The maximum life limits for equipment and software are up to 5 years.

Gains and losses on the disposal of capital assets are recorded in the Statement of Income in the year of disposal. Losses due to write-downs of the net carrying value of capital assets are recorded in the Statement of Income in the year the capital asset is impaired.

As at March 31, 2002 the balances are as follows:

	Cost	Accumulated amortization	2002 Net carrying value	2001 Net carrying value
Software	$ 163,640	$ 34,480	$ 129,160	$ 79,105
Equipment	27,087	19,513	7,574	15,717
	$ 190,727	$ 53,993	$ 136,734	$ 94,822

NOTE 3 DUE TO ATB

In the normal course of operations, ATB pays expenses and collects revenues on behalf of ATBIS. These amounts are duly recorded on both ATB's and ATBIS's accounts. ATB management has agreed to defer the settlement of these amounts until such time when ATBIS generates adequate revenues to enable it to pay its obligations to ATB. The amounts due to (from) ATB at March 31 are as follows:

	2002	2001
Due to ATB	$ 1,729,279	$ 1,525,244
Due from ATB	(1,264,545)	(732,228)
Total	$ 464,734	$ 793,016

The net amount due to ATB is subject to interest charges at ATB's prime lending rate.

NOTE 4 SUBORDINATED NOTES

The subordinated notes held by ATB are secured by a floating charge on all the assets of ATBIS and bear interest at prime lending rate of ATB. The subordinated notes have no specified maturity dates, and are repayable upon demand by ATB subject to the prior approval of the Alberta Securities Commission.

Date of Issue	2002	2001
Oct. 31, 1997	$ 99,000	$ 99,000
May 31, 2000	1,018,180	1,018,180
June 18, 2001	793,016	-
Total	$1,910,196	$1,117,180

NOTE 5 SHARE CAPITAL

Authorized:

An unlimited number of Class A voting common shares without nominal or par value.

An unlimited number of Class B non-voting common shares without nominal or par value.

An unlimited number of 10% non-cumulative redeemable non-voting preferred shares without nominal or par value.

Issued:

100 Class A voting common shares for cash	$1,000

NOTE 6 INDIRECT COSTS

In addition to direct costs, there are some indirect costs incurred for employees of ATB who perform administrative and selling services on behalf of ATBIS. Where readily determinable, these costs have been charged to ATBIS at prevailing market rates. The amount charged for the year ended March 31, 2002 is $197,725 (2001: $167,367).

ATB has made available a self-contained office space to ATBIS. The cost for the space has been allocated on a pro-rata basis and charged back to ATBIS. The amount charged for the current year is $143,377 (2001: $131,100).

NOTE 7 COMPARATIVE AMOUNTS

Comparative amounts have been reclassified where necessary to conform to the current year's presentation.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION FINANCIAL STATEMENTS DECEMBER 31, 2001

Auditor's Report
Balance Sheet
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Statement of Cash Flows
Notes to the Financial Statements
Schedule of Administration Expenses

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Directors of the
Credit Union Deposit Guarantee Corporation

I have audited the balance sheet of the Credit Union Deposit Guarantee Corporation as at December 31, 2001 and the statements of income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
February 8, 2002

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
BALANCE SHEET
DECEMBER 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 8,253	$ 2,399
Investments (Note 3)	78,485	78,203
Accrued interest receivable	635	676
Due from credit unions	2,096	2,074
Other assets (Note 4)	768	728
Capital assets (Note 5)	250	142
	$ 90,487	$ 84,222
LIABILITIES		
Accounts payable and accrued liabilities	$ 539	$ 363
Income taxes payable	134	56
Accrual for financial assistance (Note 6)	1,715	3,700
Deferred revenue	921	951
Amounts due to and investment in S C Financial Ltd. (Note 7)	7,636	6,747
Long-term unclaimed credit union balances payable	438	389
	11,383	12,206
Commitments and contingencies (Note 9)		
EQUITY		
Deposit Guarantee Fund	76,820	69,674
Master Bond Fund	2,284	2,342
	79,104	72,016
	$ 90,487	$ 84,222

The accompanying notes and schedule are part of these financial statements.

On behalf of the Board R. A. Splane, Director Mary C. Arnold, FCA, Director

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENTS OF INCOME AND EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001 Budget	2001 Actual	2000 Actual
DEPOSIT GUARANTEE FUND			
Revenues:			
Investment income	$ 4,304	$ 5,054	$ 4,299
Deposit guarantee assessments	10,547	11,340	9,838
Recovery of special assistance (Note 8)	332		152
	15,183	16,394	14,289
Expenses:			
Interest and bank charges	47	34	46
Provision for (recovery of) financial assistance (Note 6)	465	(2,034)	(1,125)
Special contribution (Note 7)	7,079	7,637	6,736
Administration (Schedule 1)	3,428	3,092	2,847
	11,019	8,729	8,504
Income before income taxes	4,164	7,665	5,785
Income taxes (Note 10)	304	519	403
Net income for the year	3,860	7,146	5,382
Equity at beginning of year	68,150	69,674	64,292
Equity at end of year	$ 72,010	$ 76,820	$ 69,674
MASTER BOND FUND			
Revenues:			
Insurance assessments	$ 817	$ 748	$ 602
Interest	122	114	138
	939	862	740
Expenses:			
Insurance premium	677	628	531
Administration	120	120	120
Insurance claims	234	172	129
	1,031	920	780
Net income for the year	(92)	(58)	(40)
Equity at beginning of year	2,304	2,342	2,382
Equity at end of year	$ 2,212	$ 2,284	$ 2,342

The accompanying notes and schedules are part of these financial statements.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Operating activities:			
Assessments received	$ 11,429	$ 11,996	$ 10,160
Investment income received	4,477	5,129	4,309
Loan principal and interest recovered	13	86	260
Special assistance received	332		152
Financial assistance recoveries (paid)	(500)	49	(75)
Interest and bank charges paid	(47)	(34)	(46)
Insurance claims paid	(234)	(172)	(129)
Income taxes paid	(286)	(439)	(324)
Paid to suppliers and employees	(3,999)	(3,579)	(3,039)
Special contribution paid	(6,505)	(6,747)	(5,798)
Cash flows from operating activities	4,680	6,289	5,470
Investing activities:			
Purchase of investments, net	(4,420)	(282)	(4,236)
Purchase of capital assets	(260)	(153)	(54)
Cash flows from investing activities	(4,680)	(435)	(4,290)
Cash inflow		5,854	1,180
Cash at beginning of year	1,501	2,399	1,219
Cash at end of year	$ 1,501	$ 8,253	$ 2,399

The accompanying notes and schedule are part of these financial statements

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

The Credit Union Deposit Guarantee Corporation (the "Corporation") operates under the authority of the Credit Union Act, Chapter C-32, revised Statutes of Alberta, 2000. The Corporation guarantees the repayment of all deposits with Alberta credit unions including accrued interest. The Credit Union Act provides that the Province of Alberta (Province) will ensure that this obligation of the Corporation is carried out. As at December 31, 2001, credit unions in Alberta held deposits totalling $6,941,026,000. Supervised credit unions receive assistance, support and direction in planning, policy and operational matters from the Corporation.

In 1986, S C Financial Ltd. was incorporated under the Alberta Business Corporations Act for the purpose of providing $335,000,000 of deficit financing assistance to credit unions under supervision. All of the outstanding shares of S C Financial Ltd. are held by the Corporation (Notes 2(c) and 7).

The Corporation guarantees the interest on the S C Financial Ltd. Debentures issued in exchange for Stabilization Preferred Shares of the credit unions and the interest is funded by the Province pursuant to its indemnification. Accordingly, the obligation of the Corporation pursuant to its guarantee is not reported in these financial statements.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

These financial statements reflect separate funds: a Deposit Guarantee Fund and a Master Bond Fund.

The Deposit Guarantee Fund enables the Corporation to guarantee the repayment of all deposits with credit unions, its primary objective. The Deposit Guarantee Fund's statement of income includes assessments received from credit unions, assistance payments recorded on behalf of credit unions, as well as all other revenues and expenses related to the primary objective.

The Master Bond Fund provides insurance coverage to credit unions under a policy administered by the Corporation. A credit union may claim a maximum of $100,000 for directors liability claims and $85,000 for other claims, less its deductible, which is payable out of the Master Bond Fund; a reinsurance policy insures the amount of the claim that exceeds $100,000 or $85,000 respectively. The Master Bond Fund's statement of income includes insurance assessments received from credit unions, interest income, premiums paid for the reinsurance policy, administration fee, and insurance claims paid.

(b) Use of estimates

The Corporation's financial statements are prepared in accordance with Canadian generally accepted accounting principles and necessarily include estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant areas requiring the use of estimates are the accrual for financial assistance, provision for (recovery of) financial assistance, allowance for loan impairment and Master Bond Fund insurance claims (expected and unreported). The Corporation reviews these estimates annually. Actual amounts may differ significantly from those estimates depending upon certain future events and uncertainties.

(c) Non-consolidation of S C Financial Ltd.

S C Financial Ltd. has not been consolidated in these financial statements since the Corporation is not exposed to related obligations and does not have the right and ability to obtain future economic benefits from S C Financial Ltd.

(d) Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund, which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

(e) Investments

Investments are carried at cost or amortized cost, with any discount or premium amortized on a straight-line basis over the life of the investments. Investments are written down when there is a decline in value that is other than temporary. Gains and losses on disposal of investments are included in with investment income in the year of disposal. Substantially all securities held are purchased with the intention to hold them to maturity.

(f) Capital assets

The following rates are designed to amortize the cost of capital assets over their estimated useful lives:

Furniture and equipment	five year straight-line
Computer equipment	30 per cent declining-balance
Computer software	one year straight-line
Leasehold improvements	straight-line over lease term

(g) Income taxes

The Corporation records income taxes based on the tax liability method. Therefore, future income taxes are recognized based on the tax effects that will arise if an asset is realized or a liability is settled for its carrying amount.

(h) Insurance claims

The Corporation estimates and accrues the Master Bond Fund's share of losses from any reported claims. It makes an additional accrual of the estimated losses from unreported claims based on the last three years' average actual loss experience.

(i) Accrual for financial assistance

The Corporation recognizes financial assistance to specific credit unions as an expense when the need for assistance becomes likely and it can reasonably estimate the amount.

Additionally, an accrual for financial assistance is established by assessing the aggregate risk in the credit union system based on existing capital available in individual credit unions, current and anticipated market and economic conditions, the likelihood of losses, and the application of historic loss experience. It reflects management's best estimate of the losses arising from the inherent risk in the credit union system. Future economic conditions are not predictable with certainty and actual losses may vary significantly from management's estimate.

(j) Fair value of financial instruments

Most financial instruments are valued at their carrying amounts included on the balance sheet, which are reasonable estimates of fair value. This approach applies to cash, accrued interest receivable, due from credit unions, loans receivable, accounts payable and accrued liabilities, accrual for financial assistance, amounts due to and investment in S C Financial Ltd. and long-term unclaimed credit union balances payable. The fair values of investments are disclosed in Note 3.

NOTE 3 INVESTMENTS

	2001		2000	
	Cost	Market Value[2]	Cost	Market Value[2]
	(thousands of dollars)		(thousands of dollars)	
Securities issued or guaranteed by:				
Canada	$ 38,742	$ 39,888	$ 40,805	$ 41,680
Provinces	13,546	13,794	16,511	16,407
Other	26,197[1]	27,136	20,887[1]	20,974
Total	$ 78,485	$ 80,818	$ 78,203	$ 79,061

[1] These securities include shares of Credit Union Central Alberta Limited ($100,000) and Co-operative Trust Company of Canada ($15,000), which approximate market value and have no specific term to maturity.

[2] Market value is calculated using independent pricing sources and Canadian investment dealers.

The investment portfolio is managed by external managers with the objective of providing investment returns higher than the total return of the applicable Scotia Capital Markets All-Government indices over a four year period. The portfolio is comprised of high quality Canadian fixed income and debt related instruments. Competitive investment returns are achieved through management of the portfolio duration and holdings.

As at December 31, 2001, securities held have an average effective yield of 5.67% per annum based on cost (2000 – 5.76%); 4.78% per annum based on market (2000 – 5.56%). These securities have the following term structure based on par: under one year - 3% (2000 – 9%); over one year and under five years - 54% (2000 – 51%); over five years and under ten years - 43% (2000 – 40%).

The market value of the investments is subject to fluctuation as a result of normal market risk. The principle factor influencing the market value is the prevailing rate of interest. An increase of 1 per cent in interest rates will result in a decrease of approximately $805,000 (2000 - $752,000) in the market value of the total investments; and conversely, a decrease of 1 percent in interest rates will result in an increase in the market value of the same amount.

NOTE 4 OTHER ASSETS

	2001	2000
	(thousands of dollars)	
Prepaid expenses	$ 691	$ 644
Future income taxes recoverable (Note 10)	69	69
Loans receivable	8	15
Total	$ 768	$ 728

NOTE 5 CAPITAL ASSETS

	2001	2000
	(thousands of dollars)	
Furniture and equipment	$ 388	$ 428
Computer equipment	288	271
Computer software	73	50
Leasehold improvements	126	75
	875	824
Less accumulated amortization	(625)	(682)
Net book value	$ 250	$ 142

NOTE 6 ACCRUAL FOR FINANCIAL ASSISTANCE

To fulfill the mandate described in Note 1, the Corporation assists credit unions experiencing financial difficulties when and as required. The Corporation monitors credit unions experiencing financial difficulty and has a contingent responsibility to provide further financial assistance, the amount of which, if any, is undeterminable at this time.

The book value of the accrual for financial assistance approximates its fair value as it represents the Corporation's best estimate of the future amounts to be paid.

	2001	2000
	(thousands of dollars)	
Accrual for financial assistance:		
Balance at beginning of year	$ 3,700	$ 4,900
Financial assistance (recovery of)	(1,985)	(1,097)
(Paid) during year	-	(103)
Balance at end of year	$ 1,715	$ 3,700
Provision for (recovery of) financial assistance:		
Financial assistance (recovery of)	$ (1,985)	$ (1,097)
Provision for (recovery of) financial assistance, net of loan losses (recovery of)	(49)	(28)
Provision for (recovery of) financial assistance	$ (2,034)	$ (1,125)

NOTE 7 AMOUNTS DUE TO AND INVESTMENT IN S C FINANCIAL LTD.

	2001	2000
	(thousands of dollars)	
Balance at beginning of year	$ 6,747	$ 5,809
Payment of previous year's special contribution	(6,747)	(5,809)
Special contribution current year	7,637	6,736
Special assistance due		12
	7,637	6,748
Shares	(1)	(1)
Balance at end of year	$ 7,636	$ 6,747

A special contribution is an annual amount payable by the Corporation under the Credit Union Restructuring Agreement. It is equal to 0.11 per cent of credit union deposits and borrowings and is payable to S C Financial Ltd., as directed by the Province, until the year 2010.

NOTE 8 RECOVERY OF SPECIAL ASSISTANCE

In 1989, the Corporation contributed $12,524,000 to S C Financial Ltd. to provide cash deficit financing assistance to credit unions. Pursuant to the Credit Union Deficit Financing Termination Agreement dated October 11, 2001, S C Financial Ltd. and the Corporation have agreed to cancel the obligation for credit unions to repay this assistance. The credit unions repaid $0 during the year (2000 - $152,000) and $2,868,000 to December 31, 2001.

NOTE 9 COMMITMENTS AND CONTINGENCIES

(a) Lease commitments

The Corporation is committed to a non-cancellable operating lease for business premises totalling $552,000.

The following amounts represent minimum payments over the next four years:

2002	$ 138,000
2003	138,000
2004	138,000
2005	138,000

(b) Litigation

There are legal proceedings pending against the Corporation that arose from normal business activities. Management of the Corporation believes that the financial cost of resolution of these proceedings will not be material to the financial position of the Corporation.

NOTE 10 INCOME TAXES

The Corporation is a deposit insurance corporation for income tax purposes. Its taxable income excludes assessments and financial assistance recoveries and no deduction may be made for financial assistance, insurance premiums, claims, or special contributions paid on behalf of member credit unions.

The Corporation's statutory income tax rate is 26.5% (2000 – 28%). Income taxes differ from the expected result that would have been obtained by applying the combined federal and provincial tax rate to income before income taxes, for the following reasons:

	2001	2000
	(thousands of dollars)	
Expected income tax expense on pre-tax income at the statutory rate	$ 2,016	$ 1,609
Add (deduct) tax effect of:		
Non-taxable assessments received	(3,203)	(2,923)
Non-deductible special contribution paid	2,024	1,886
Non-taxable assistance recoveries	(539)	(358)
Non-deductible insurance premiums paid	166	149
Non-deductible claims paid	46	36
Other	9	4
Income taxes	$ 519	$ 403

At December 31, 2001 the Corporation had capital assets in excess of related book values of approximately $265,000 (2000 - $245,000), which are reflected in these financial statements as future income taxes recoverable. The Corporation's future effective income tax rate is 26%.

	2001	2000
	(thousands of dollars)	
Current income taxes	$ 519	$ 380
Future income taxes	-	23
Income taxes	$ 519	$ 403

NOTE 11 DIRECTORS' AND MANAGEMENT REMUNERATION

			2001	2000
	Director Fees or Salary[1]	Benefits[2] and Allowances	Total	Total
		(thousands of dollars)		
Chair[3]	$ 31	$ -	$ 31	$ 34
Board Members[3]	67	-	67	60
Current senior management:				
Chief Executive Officer	$ 155	$ 25	$ 180	$ 174
Chief Financial Officer	115	19	134	121
Senior Manager, Credit	94	9	103	95
Senior Manager, Operations	85	10	95	87

[1] Salary includes regular base pay and bonuses.

[2] Employer's share of all employee benefits and contributions made on behalf of employees including Canada Pension Plan, Employment Insurance, group Registered Retirement Savings Plan, dental coverage, vision coverage, medical benefits including out of country medical benefits, group life insurance, accidental disability and dismemberment insurance, professional memberships, staff fund, automobile allowances and tuitions.

[3] The Chair and Board Members are paid on a per diem basis for preparation and meeting time. The Deputy Minister of Finance is a Board Member but receives no remuneration from the Corporation.

NOTE 12 2001 BUDGET

The 2001 budget was approved by the Board of Directors on September 27, 2000.

NOTE 13 COMPARATIVE FIGURES

The 2000 figures have been restated where necessary to conform to 2001 presentation.

Schedule 1

CREDIT UNION DEPOSIT GUARANTEE CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2001

(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Deposit Guarantee Fund			
Salaries and benefits	$ 2,305	$ 2,388	$ 2,171
Rental charges	160	159	166
Staff travel	240	150	147
Office	129	127	111
Professional fees	296	113	104
Board and committee fees	131	98	94
Other	136	93	105
Amortization	113	66	51
Board and committee expenses	38	18	18
	3,548	3,212	2,967
Allocation to Master Bond Fund	(120)	(120)	(120)
	$ 3,428	$ 3,092	$ 2,847

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002

Auditor's Report

Consolidated Balance Sheet

Consolidated Statement of Operations and Deficit

Consolidated Statement of Cash Flows

Notes to the Consolidated Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of N.A. Properties (1994) Ltd.

I have audited the consolidated balance sheet of N.A. Properties (1994) Ltd., as at March 31, 2002 and the consolidated statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
May 6, 2002

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2002

(thousands of dollars)

	2002	2001
ASSETS		
Cash (Note 4)	$ 2,421	$ 3,007
Accounts receivable	6	24
Note receivable (Note 5)	8	7
	2,435	3,038
Restricted assets (Note 6)		
Investment in Defeasance Fund	-	139,967
Cash and cash equivalents	60,821	-
Due from the Credit Union Deposit Guarantee Corporation	1,668	-
Due from the Province of Alberta	78,617	-
	141,106	139,967
	$ 143,541	$ 143,005
LIABILITIES		
Accounts payable	$ -	$ 2
Obligations under indemnities and commitments	793	1,711
Obligation to repay debentures (Note 6)	141,106	139,967
	141,899	141,680
SHAREHOLDER'S EQUITY		
Share capital (Note 8)	5,769	5,769
Deficit	(4,127)	(4,444)
	1,642	1,325
	$ 143,541	$ 143,005

The accompanying notes are part of these financial statements

On behalf of the Board:

Director - Rod Matheson

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2002

(thousands of dollars)

	2002	2001
Revenue		
Interest and other	$ 114	$ 169
Rental	18	27
	132	196
Expenses		
Indemnity (Note 7)	144	
General and administrative	27	39
Rental operating expense	15	48
	186	87
Operating income (loss) before provision	(54)	109
Recovery of provision (Note 7)	371	282
Excess of revenue over expenses for the year	317	391
Deficit, beginning of year	(4,444)	(4,835)
Deficit, end of year	$ (4,127)	$ (4,444)

N.A. PROPERTIES (1994) LTD.
CONSOLIDATED STATEMENT OF CASH FLOWS (a)
FOR THE YEAR ENDED MARCH 31, 2002

(thousands of dollars)

	2002	2001
Net inflow (outflow) of cash related to the following activities:		
Operating		
Excess of revenue over expense for the year	$ 317	$ 391
Items not affecting cash:		
Recovery of provision (Note 7)	(371)	(282)
	(54)	109
Mortgages, principal reductions		4
Net change in non-cash balances related to operations	(532)	(2)
Net increase (decrease) in cash during the year	(586)	111
Cash and cash equivalents, beginning of year	3,007	2,896
Cash and cash equivalents, end of year	$ 2,421	$ 3,007

(a) A separate cash flow statement for restricted cash is provided in Note 6.

N.A. PROPERTIES (1994) LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2002
(THOUSANDS OF DOLLARS)

NOTE 1 AUTHORITY

N. A. Properties (1994) Ltd. (the "Company") was continued on March 31, 1994 as an amalgamated corporation under the Business Corporation Act, Chapter B-15, Statutes of Alberta 1981, as amended. The Province of Alberta owns all issued shares of the Company and accordingly the Company is exempt from income tax.

NOTE 2 NATURE OF OPERATIONS

The Company's mandate is to dispose of remaining assets. The Company also has an obligation to the credit union system described in Note 6 and manages indemnities described in Note 7.

The Province of Alberta has indemnified the Company for all net losses, expenses or liabilities existing or subsequently incurred by the Company. There were no recoveries from the Province of Alberta in satisfaction of the indemnity in the year (2001 - NIL).

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and within the framework of the accounting policies summarized below:

Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, 356395 Alberta Ltd., and Terra Losa Centre Ltd. Separate audited financial statements have not been prepared for these subsidiaries as disclosure in these financial statements is adequate.

Fair Value

The carrying value of cash, restricted cash and cash equivalents, due from the Province of Alberta, accounts payable and debentures approximate their fair value due to the relatively short periods to maturity of the instruments. The fair value of other financial assets and liabilities are provided in the applicable notes to the financial statements.

NOTE 4 CASH

Cash is deposited in the Consolidated Cash Investment Trust Fund (CCITF), which is managed by Alberta Finance to provide competitive interest income while at the same time maintaining maximum security and liquidity of depositors' capital.

NOTE 5 NOTE RECEIVABLE

The non-interest bearing note receivable in the amount of $933 was issued in November 1987 and matures in the year 2027. The carrying value of the note receivable as at March 31, 2002 is $8 (2001 - $7). The note receivable is discounted by 20% based on the yield in effect at the time of issuance and adjusting the rate for a risk premium. The fair market value of the note at March 31, 2002 is estimated to be $21 (2001 – $20) using the current interest rate in effect and adjusting the rate for a risk premium.

NOTE 6 RESTRICTED ASSETS AND DEBENTURES

(a) Credit Union Deficit Financing Termination Agreement

On October 11, 2001, the Company entered into the Credit Union Deficit Financing Termination Agreement with the Province of Alberta, Credit Union Central Alberta Limited (Credit Union Central), the Credit Union Deposit Guarantee Corporation (CUDGC) and SC Financial Ltd. (SCFL). The Company agreed to accelerate the repayment of $297,239 of outstanding debentures to October 31, 2002 (Note 6c). The debentures were originally issued to credit unions under the terms of the 1986 Credit Union Deficit Financing Agreement (CUDFA). Under CUDFA, debentures outstanding at October 2010 were due to be redeemed at that time.

The Company liquidated the Defeasance Fund for proceeds of $200,969 on October 17, 2001, which includes a net realized gain of $59,836. The Company also received $15,000 from Credit Union Central to be used towards repaying the outstanding debentures. On October 31, 2001, the Company paid $156,133 of the principal on the outstanding debentures. The remaining debentures, in the amount of $141,106, will be repaid on October 31, 2002.

SCFL will pay interest to October 31, 2002, on the outstanding debentures from a special contribution made by CUDGC under the 1989 Credit Union Restructuring Agreement (CURA). After the payment of debenture interest, the surplus from the special contribution at October 31, 2002 is estimated to be $1,668, which will be paid to the Company in accordance with CURA.

To the extent that the Company does not have sufficient cash to redeem the remaining debentures on October 31, 2002, the Province of Alberta will find any shortfall. At March 31, 2002, the shortfall is estimated to be $78,617, which will be further reduced by earnings on restricted cash and cash equivalents to October 31, 2002.

(b) Restricted cash and cash equivalents

Restricted cash and cash equivalents represent the realized gain and earnings arising from the disposition of the Defeasance Fund, which will be used to pay the outstanding debentures.

	2002	2001
Deposit in CCITF (Note 4)	$ 30,845	$ -
Short term deposits	29,976	-
	$ 60,821	$ -

Revenue earned on restricted cash and the Defeasance Fund is not included in the Company's financial statements, as the Company does not earn any net benefit, due to the commitment to redeem the debentures. The Defeasance Fund earned $7,369 (2001 $12,779) during the year and the net gain on disposition was $59,836. Earnings on restricted cash were $985 (2001 – NIL) for the year.

Changes in cash flows for restricted cash and cash equivalents during the year:

	2002
Operating cash flows	
Interest earnings	$ 985
Investing cash flows	
Proceeds from disposition of Defeasance Fund	200,969
Financing cash flows	
Payment from Credit Union Central	15,000
Repayment of debentures	(156,133)
	(141,133)
	$ 60,821

(c) Obligation to repay debentures

Changes in the obligation to repay debentures during the year are as follows:

	2002
Debentures, opening balance	$ 139,967
Increase in debentures (Note 6(a))	157,272
	297,239
Redemption of debentures	(156,133)
Debentures, ending balance	$ 141,106

NOTE 7 INDEMNITIES AND COMMITMENTS

In the past, the Company provided indemnities of principal and interest on these mortgages sold to a Canadian chartered bank. The principal and interest on these mortgages totaled $7,348 at March 31, 2002 (2001 - $14,128). The Company's indemnities expire in part in 2002, 2003, 2016 and in full in 2017.

The provision for obligations under indemnities and commitments is based on an estimate of future costs to settle those obligations. The following is the recovery of the provision during the year.

	2002	2001
Obligations for indemnities and commitments	$ 371	$ 91
Provision - net of recoveries	-	191
	$ 371	$ 282

NOTE 8 SHARE CAPITAL

Authorized

- Unlimited number of Class "A" voting shares
- Unlimited number of Class "B" voting shares
- Unlimited number of Class "C" non-voting shares
- Unlimited number of Class "D" non-voting shares
- Unlimited number of Class "E" voting shares
- Unlimited number of Class "F" non-voting shares

		2002	2001
Issued			
1	Class "A" share	$ 5,768	$ 5,768
1,000	Class "B" shares	1	1
		$ 5,769	$ 5,769

NOTE 9 CONTINGENCIES

The Company had lawsuits filed by plaintiffs in two separate actions. Management considers the chance of liability under these legal proceedings not to be determinable and accordingly an estimate of any contingent loss cannot be made.

NOTE 10 RELATED PARTY TRANSACTIONS

There were no related party transactions in the year ended March 31, 2002, except as disclosed in Note 6.

NOTE 11 FEES AND SALARIES

There were no directors' fees or salaries paid during the year. The Company had no employees in 2002 and 2001.

NOTE 12 BUDGET

The Company's 2001-02 annual budget appears in the 2002–03 Government and Lottery Fund Estimates. The budget projected a net expense for the year of $NIL. Since the company has liquidated most of its assets, a detailed budget was not prepared.

NOTE 13 COMPARATIVE FIGURES

Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

S C FINANCIAL LTD.
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report

Balance Sheet

Statement of Income

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Shareholder of
S C Financial Ltd.

I have audited the balance sheet of S C Financial Ltd. as at December 31, 2001 and the statement of income for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
February 8, 2002

S C FINANCIAL LTD.
BALANCE SHEET
DECEMBER 31, 2001
(thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 1	$ 1
Stabilization Preferred Shares (Note 3)	-	-
	$ 1	$ 1
SHAREHOLDER'S EQUITY		
Share Capital		
Authorized - Unlimited number of Class A shares		
Issued - 10 Class A shares	$ 1	$ 1
	$ 1	$ 1

The accompanying notes are part of these financial statements

Approved on behalf of the Board:

J. Laitner, Director

R.A. Splane, Director

S C FINANCIAL LTD.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2001
(thousands of dollars)

	2001		2000
	Budget	Actual	Actual
Revenue:			
Recovery on indemnity from the Province of Alberta (Note 3)	$ 15,118	$ 9,779	$ 14,809
Special contribution from Credit Union Deposit Guarantee Corporation (Note 1 and 4)	7,079	7,637	6,736
	22,197	17,416	21,545
Expense:			
Interest on debentures (Note 3)	22,197	17,416	21,545
Net income for the year	$ -	$ -	$ -

The accompanying notes are part of these financial statements

S C FINANCIAL LTD.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001

NOTE 1 AUTHORITY AND PURPOSE

S C Financial Ltd. (the Company) was incorporated on May 29, 1986 under the Alberta Business Corporations Act, as a wholly-owned entity of the Credit Union Deposit Guarantee Corporation (CUDGC), a Provincial corporation. The Company is a deposit insurance corporation by virtue of it being a wholly-owned entity of a deposit insurance corporation. Accordingly, it is treated as such for income tax purposes.

Pursuant to the Credit Union Deficit Financing Agreement, the Company provided deficit financing assistance to supervised credit unions. In 1986, Stabilization Preferred Shares Series B were issued by credit unions to the Company in exchange for debentures totalling $335,000,000. CUDGC provided funds to the Company to purchase investments which were to accumulate to $335,000,000 at October 31, 2010 in order to repay debentures outstanding and the balance to the Province of Alberta (Province) at that date. Pursuant to an agreement, the Company transferred the investments to N.A. Properties (1994) Ltd. (wholly-owned by the Province). In exchange, N.A. Properties (1994) Ltd. assumed the Company's obligation totalling $335,000,000. In 1989, CUDGC contributed $12,524,000 to the Company to provide cash deficit financing assistance to credit unions in exchange for Stabilization Preferred Shares Series B.

Under the Credit Union Deficit Financing Termination Agreement dated October 11, 2001, the Company agreed to cancel the obligation for credit unions to redeem issued and outstanding Stabilization Preferred Shares Series B over and above a total amount of $15,000,000. In addition, $156,133,000 debentures were repaid on October 31, 2001 and the outstanding $141,106,000 will be repaid in full by October 31, 2002 (Note 3).

The Credit Union Restructuring Agreement requires CUDGC to make an annual special contribution equal to 0.11% of credit union deposits and borrowings (loans payable) to the Company as directed by the Province, each year through to 2010. For the 2001 fiscal year, the special contribution was $7,637,000 (2000 - $6,736,000).

NOTE 2 FINANCIAL STATEMENT PRESENTATION

A cash flow statement is not provided as disclosure in these financial statements is considered to be adequate. Operating or administrative costs of the Company are paid by CUDGC.

NOTE 3 STABILIZATION PREFERRED SHARES

As indicated in note 1, the Company agreed to cancel the obligation for credit unions to redeem issued and outstanding Stabilization Preferred Shares Series B over and above a total amount of $15,000,000. The outstanding Stabilization Preferred Shares Series B are redeemable at the option of the credit unions for the issue price, or otherwise shall be redeemed in an amount equal to 25% of the annual net income of the credit unions, plus patronage allocations, less investment share dividends, both net of tax. The redemption amount applied to the outstanding $15,000,000 Stabilization Preferred Shares Series B for the current year is $10,371,000. Pursuant to the Credit Union Deficit Financing Termination Agreement dated October 11, 2001, the funds received in respect of redemption of the outstanding Stabilization Preferred Shares are payable to Credit Union Central Alberta Limited, and therefore, the Stabilization Preferred Shares Series B have no value to the Company. Therefore, these shares do not appear as an asset with value on the balance sheet of the Company. The Stabilization Preferred Shares are non-voting and are not entitled to dividends.

The amount of debentures outstanding at December 31, 2001 is $141,106,000 (2000 - $297,239,000). Pursuant to the Credit Union Deficit Financing Termination Agreement dated October 11, 2001, the outstanding debentures held by credit unions will be repaid by October 31, 2002.

On a quarterly basis, the Company pays interest on the debentures at the lesser of 14% or prime. CUDGC, with an indemnity from the Province, guarantees payment of the interest.

NOTE 4 DUE TO RELATED PARTIES

Transactions with related parties are undertaken to meet funding commitments under the Credit Union Deficit Financing Agreement, Credit Union Restructuring Agreement, and the Credit Union Deficit Financing Termination Agreement. Balances have been disclosed on a net basis in these financial statements to reflect the flow-through nature of the transactions.

	2001	2000
	(thousands of dollars)	
Redemption of Stabilization Preferred Shares:		
Due from credit unions	$ -	$ 507
Due to credit unions on repayment of debentures	-	(518)
Due from Credit Union Deposit Guarantee Corporation	-	11
	-	-
Interest on debentures:		
Due to credit unions	(1,061)	(3,735)
Due to Province to fund interest	(6,576)	(3,001)
Due from Credit Union Deposit Guarantee Corporation - special contribution	7,637	6,736
	-	-
	$ -	$ -

NOTE 5 2001 BUDGET

The 2001 budget was approved by the Board of Directors on September 26, 2000.

GAINERS INC.
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

Auditors' Report
Consolidated Balance Sheet
Consolidated Statement of Earnings and Deficit
Consolidated Statement of Cash Flows
Notes to Consolidated Financial Statements

AUDITORS' REPORT

To the Shareholder of Gainers Inc.

We have audited the consolidated balance sheet of Gainers Inc. as at September 30, 2001 and the consolidated statements of earnings and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at September 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

Edmonton, Alberta
November 30, 2001

GAINERS INC.
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2001

(in thousands of dollars)

	2001	2000
ASSETS		
Cash	$ 2	$ 6
LIABILITIES		
Accounts payable and accrued liabilities	$ 262	$ 271
Principal and interest on prior years' income taxes (Note 3)	8,006	7,312
Long-term debt (Note 4)	192,756	200,160
	201,024	207,743
Contingencies (Note 5)		
DEFICIT, LESS SHARE CAPITAL		
Deficit	(216,025)	(222,740)
Share capital (Note 6)	1	1
Contributed surplus	15,002	15,002
	(201,022)	(207,737)
	$ 2	$ 6

Approved by the Board of Directors

D. Harrington, Director

GAINERS INC.
CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED SEPTEMBER 30, 2001

(in thousands of dollars)

	2001	2000
Revenue		
Reduction of long-term debt (Note 4)	$ 6,154	$
Proceeds from the demutualization of an insurance company	1,288	
Interest income from trust account	29	
Recovery of legal fees	3	
Reversal of legal fee accrual		519
Other		3
	7,474	522
Expenses		
Interest on prior years' income taxes	694	500
General and administrative	65	26
	759	526
Net earnings (loss) for the year	6,715	(4)
Deficit - Beginning of year	(222,740)	(222,736)
Deficit - End of year	$ (216,025)	$ (222,740)

GAINERS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2001

(in thousands of dollars)

	2001	2000
Cash provided by (used in)		
Operating activities		
Net earnings (loss) for the year	$ 6,715	$ (4)
Item not affecting cash		
Reduction of long-term debt	(6,154)	
	561	(4)
Net change in non-cash working capital items	685	(415)
	1,246	(419)
Financing activities		
Repayment of long-term debt	(1,316)	(20)
Proceeds from long-term debt	66	305
	(1,250)	285
Decrease in cash	(4)	(134)
Cash - Beginning of year	6	140
Cash - End of year	$ 2	$ 6

GAINERS INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2001

NOTE 1 BASIS OF PRESENTATION

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada. Because the precise determination of many assets, liabilities, revenues and expenses are dependent on future events, the preparation of financial statements for a period necessarily includes the use of estimates and approximations which have been made using careful judgement. Actual results could differ from those estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

The consolidated financial statements of the company include the accounts of Gainers Inc. and its wholly-owned subsidiary companies: Gainers Properties Inc. ("GPI") and MPF Note Inc., collectively the "company".

Through September 25, 1993, the company operated on a going-concern basis, which contemplated the realization of assets and discharge of liabilities in the normal course of business. Events since that date have resulted in the discontinuance of all ongoing business. The company has disposed of its non-monetary assets, with the exception of its investment in Pocklington Corp. Inc. described below. The company is waiting for the determination or settlement of remaining lawsuits before its dissolution

Any repayment of the long-term debt by the company is expected by management to be immaterial.

NOTE 2 INVESTMENT IN AND AMOUNTS DUE FROM FORMER AFFILIATES

The investment, which is recorded at $nil value, comprises 77,500 Class A preferred shares of Pocklington Corp. Inc. with a par value of, and which are redeemable at, US $100 per share and which carry annual non-cumulative dividends of US $11 per share. In November 1989, a demand for redemption of the shares was made by Gainers Inc. and an action was commenced against Mr. Pocklington arising from this investment, seeking by way of damages the monies invested together with interest thereon. Mr. Pocklington has counterclaimed seeking statutory indemnification as a director for his actions. Management believes that this counterclaim is without merit. The investment in Pocklington Corp. Inc. has been written down to $nil on the balance sheet.

Advances to the former affiliate, which are recorded at $nil value, Pocklington Financial Corporation (formerly Pocklington Holdings Inc.), are non-interest bearing and have no specific terms of repayment. In January 1990, Gainers Inc. made demand on and brought an action against Pocklington Financial Corporation to recover the advances. In December 1995, a judgement was rendered and collected in favour of Gainers Inc. in the amount of $770,000. This amount has been recovered by the company from Pocklington Financial Corporation. This amount was subject to the secured claim of the Province as described in note 4 and was subsequently remitted to the Province of Alberta ("Alberta"). The company appealed this decision, as the company believes that the amount of the judgement should have been higher. The company won the appeal. It is unlikely that the company can recover any further monies from Pocklington Financial Corporation, which is bankrupt.

On August 8, 1989, Gainers Inc. acquired the shares of 350151 Alberta Ltd. ("350151") for $100 cash. On October 4, 1989, Gainers Inc., at the direction of the former owner, sold the shares of 350151 to Pocklington Holdings Inc. for $100 cash. Alberta filed a claim to have the sale reversed. The accounts of 350151 are not included in these financial statements. In December 1995, a judgement as to the ownership of the shares was rendered in favour of Pocklington Financial Corporation. Alberta appealed this decision, and on November 21, 2000 the Alberta Court of Appeal reversed the 1995 judgement. The Court of Appeal has held that the purported sale of the shares of 350151 to Pocklington Holdings Inc. on October 4, 1998 was a breach of the Master Agreement (Note 4) and awarded $4.7 million in damages plus trial and appeal costs to the Province against Mr. Pocklington.

On August 8, 1989, 350151 guaranteed payment of a $5,000,000 loan (which was repaid by GPI in 1998), and granted a collateral land mortgage to Alberta of a property called the Carma 362 Lands. On November 30, 2000, the Province realized the sum of $5,606,190 (inclusive of interest) from the mortgage security on the Carma 362 Lands. The Court of Appeal directed that any recovery by Alberta from the Carma 362 lands was to be set off against the judgement against Mr. Pocklington, and vice versa. Thus, the recovery from the mortgages security by Alberta has satisfied the judgement against Mr. Pocklington.

NOTE 3 INCOME TAXES

The prior years' liability for income taxes plus accrued interest is an unsecured debt. The long-term debt owed to Alberta is a secured debt and thus ranks in priority. It is considered unlikely that the company will be able to settle this liability for income taxes and interest as the amount owing to Alberta exceeds the amount, which is reasonably expected to be recovered from the remaining assets of the company.

The Company has capital and non-capital income tax losses available for carry forward to reduce taxable income of future years. The amount of capital losses available for carry forward is $9,711,269. The amount of non-capital losses available for carry forward is $3,260,398. These non-capital losses expire as follows:

2002	$ 42,930
2004	1,102,429
2005	1,982,973
2007	100,000
2008	32,066
	$ 3,260,398

NOTE 4 LONG-TERM DEBT

	2001	2000
	(in thousands of dollars)	
Province of Alberta		
Term loan	$ 6,000	$ 6,000
Assignment of prior operating loans from previous banker		
Term bank loan (US $8,749,339)	11,567	11,567
Operating loan	20,979	20,979
Advances under guarantee for principal and interest payments	31,947	31,947
Promissory note	42,846	49,000
Advance to facilitate sale	13,000	13,000
Advances under guarantee and indemnity for operating line	18,469	18,469
Default costs and guarantee fees	13,457	14,707
Accrued interest	34,491	34,491
	$ 192,756	$ 200,160

The fair value of the long-term debt is dependent on outcomes from claims filed by or against Gainers Inc. Due to the uncertainty of these items, the fair value as at September 30, 2001 is estimated to be $nil.

Province of Alberta

On September 25, 1987, Gainers Inc. and GPI entered into the Master Agreement with Alberta, which provided for a term loan facility and a loan guarantee. Pursuant to the Master Agreement, Gainers Inc. and GPI granted securities to 369413 Alberta Ltd. ("Nominee") which holds the securities and loans, as later described in this Note, in trust for Alberta. A number of events of default, which still continue, occurred during 1989, resulting in the long-term debt and liability to Alberta becoming due and payable. Alberta acted on its security and, on October 6, 1989, took control of Gainers Inc.'s issued and outstanding shares, which previous to this, were controlled by Mr. Pocklington.

As at October 6, 1989, operating loans of $20,979,000 and a term loan of US $8,749,000 were purchased, transferred and assigned to the Nominee. In addition, Alberta has made payments since October 6, 1989 under the guarantee to cover principal and interest payments due, including the purchase in December 1993 of the balance due under the promissory note made by GPI to Yasuda Mutual Life Assurance Company

Reduction of long-term debt

As described in note 2, Alberta realized $5,606,190 from a collateral security agreement with 350151. In addition, Alberta received $547,391 from a judgement obtained by Alberta against Mr. Pocklington. As a result of receiving funds on these two actions, on September 30, 2001, Alberta acknowledged a reduction of $6,153,581 in advances under guarantee for principal and interest payments owing by GPI.

Interest

The interest on the loans and other indebtedness owing to Alberta has not been paid in accordance with the terms of the indebtedness. Effective February 5, 1994, Alberta declared all indebtedness owing by the company to Alberta to be non-interest bearing from the later of February 5, 1994 and the date the indebtedness to the Province of Alberta was incurred.

Security

Collateral security for the indebtedness to Alberta includes a general assignment of book debts, general security agreements over all real and personal property of the company, a pledge of inventory, and fixed and floating charge debentures amounting to $70,000,000 covering all of the assets of the company. The company continues to be in default and in breach of certain covenants of this indebtedness.

Master Agreement

The Master Agreement provided for Alberta to advance a term loan to GPI in the aggregate amount of $12,000,000. As at September 30, 1989, $6,000,000 of the term loan had been advanced. An interest payment due on October 1, 1989 was not made and Alberta, acting on its security, seized control of the Company. Since default has occurred under the Master Agreement, the entire amount of the monies advanced for the term loan are due and owing by GPI to Alberta. The term loan which has been advanced, and interest thereon, and the performance and observance of the other covenants of GPI under the Master Agreement, including the obligations of GPI to Alberta in respect to the promissory note, is collaterally secured by a demand debenture made by GPI to the Nominee in the principal sum of $67,000,000 dated September 25, 1987 and constituting a fixed mortgage and charge over all of the real property, equipment and chattels of GPI and a floating charge over all of the undertaking and other property and assets of GPI, and by a pledge by GPI of preferred shares held by GPI in Gainers Inc.

NOTE 5 CONTINGENCIES

(a) The company and Alberta have filed claims against Mr. Pocklington and companies controlled by him for recovery of certain loans, payments and other transactions prior to October 6, 1989. The claim aggregates approximately $38,000,000 plus interest. Ultimate recovery of this claim cannot be determined at this time.

(b) Under the terms of the Master Agreement, the company and Mr. Pocklington are liable for all losses, expenses, costs and claims incurred by Alberta as a consequence of a default by the company, as defined in Note 1, or by Mr. Pocklington. As a result, since the date of default the Company has incurred approximately $13,457,000 (net of repayments) in the consolidated financial statements for these costs and expenses. It is expected that further costs and expenses will be incurred in the future as a result of continuing default. Ultimate recovery of this claim cannot be determined at this time.

(c) Alberta has brought a claim against Mr. Pocklington for damages arising out of breaches by him of the Master Agreement, alternatively, negligent misrepresentations made by him in certificates sworn by him in 1988 and 1989, which caused the Crown to make advances under the Term Loan.

Mr Pocklington has bought a counter claim against the company in which Mr. Pocklington claims indemnification for the entire amount of the main claim.

Alberta obtained summary judgement in the amount of $7,257,033 in respect of the certificates sworn by Mr. Pocklington in 1988. The judgement has been appealed by Mr. Pocklington. The outcome of this action is not presently determinable.

NOTE 6 SHARE CAPITAL

Authorized
- Unlimited number of Class A common shares
- Unlimited number of Class B preferred shares redeemable/retractable at $1 per share with non-cumulative annual dividends at a rate not exceeding 16% of the redemption value
- 12,000,000 Class C preferred shares redeemable at $1 per share with cumulative annual dividend compounded semi-annually at 9.6% of the redemption price

Issued

	2001	2000
	(in thousands of dollars)	
101 Class A common shares	$ 1	$ 1
6,000,000 Class C preferred shares	6,000	6,000
	6,001	6,001
Less: 6,000,000 Class C preferred shares held by GPI	6,000	6,000
	$ 1	$ 1

SUPPLEMENTARY INFORMATION REQUIRED BY LEGISLATION

STATEMENT OF REMISSIONS, COMPROMISES AND WRITE-OFFS

For the Year Ended March 31, 2002

The following statement has been prepared pursuant to section 23 of the Financial Administration Act. The statement includes all write-offs of the Ministry of Finance made or approved during the fiscal year. There were no remissions or compromises.

Department of Finance	
Implemented guarantees and indemnities	
Credit Union Deposit Guarantee Corporation	$ 13,338,651
Farm Credit Stability Act	314,393
Small Business Term Assistance Act	231,310
Gainers Inc. and subsidiaries	69,210
Canadian Western Bank	40,079
Rural utilities loans	8,945
	14,002,588
Accounts and interest receivable	
Judgement debts	47,958
Interest receivable	23,919
Alberta Family First Home Program	9,328
Alberta livestock loans	2,330
Rural gas co-operatives	81
	83,616
	14,086,204
Alberta Treasury Branches	
Loans and accounts receivable	25,320,859
	$ 39,407,063

SUPPLEMENTARY INFORMATION REQUIRED BY LEGISLATION

STATEMENT OF BORROWINGS MADE UNDER SECTION 56(1) OF THE FINANCIAL ADMINISTRATION ACT

For the Year Ended March 31, 2002

The following statement has been prepared pursuant to section 56(2) of the Financial Administration Act.

	Issue Principal	Proceeds
Payable in Canadian dollars:		
Promissory notes	$ 6,512,300,000	$ 6,502,779,353
Debentures	50,000,000	49,796,500
	$ 6,562,300,000	$ 6,552,575,853

STATEMENT OF THE AMOUNT OF THE DEBT OF THE CROWN FOR WHICH SECURITIES WERE PLEDGED

The following statement has been prepared pursuant to section 66(2) of the Financial Administration Act.

The amount of the debt of the Crown outstanding at the end of the 2001-02 fiscal year for which securities were pledged under Part 6 of the Financial Administration Act was $Nil.

SUPPLEMENTARY INFORMATION REQUIRED BY LEGISLATION

STATEMENT OF GUARANTEES AND INDEMNITIES

For the Year Ended March 31, 2002

The following statement has been prepared pursuant to section 75 of the Financial Administration Act. The statement summarizes the amounts of all guarantees and indemnities given by the Ministry of Finance on behalf of the Crown and Provincial corporations for the year ended March 31, 2002, the amounts paid as a result of liability under guarantees and indemnities, and the amounts recovered on debts owing as a result of payments under guarantees and indemnities.

Program/Borrower	Amount of Guarantee or Indemnity [a]	Payments	Recoveries
CROWN GUARANTEES			
Farm Credit Stability Act	$ -	$ 314,393	$ -
Small Business Term Assistance Act	-	231,310	-
Gainers Inc. and subsidiaries	-	69,210	-
Rural utilities loans	-	8,945	42,947
Societies Act	-	-	24,324
Judgement debts	-	-	21,403
	-	623,858	88,674
CROWN INDEMNITIES			
Credit Union Deposit Guarantee Corporation	-	13,338,651	-
Canadian Western Bank	-	40,079	-
	-	13,378,730	-
	$ -	$ 14,002,588	$ 88,674

a) During the 2001-02 fiscal year, the Province agreed to indemnify school boards and their officers, administrators and employees in respect of native residential school litigation. The agreement does not specify an amount for the indemnity.

LOCAL AUTHORITIES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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Schedule of Investments in Non-North American Equities

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Local Authorities Pension Plan Board of Trustees

I have audited the statement of net assets available for benefits and accrued benefits of the Local Authorities Pension Plan as at December 31, 2001 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 4, 2002

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$8,938,625	$9,429,943
Contributions receivable (Note 6)	13,455	14,343
Accrued investment income	1,425	1,548
	8,953,505	9,445,834
Liabilities		
Due to ENMAX Corporation (Note 7)	-	85,700
Accounts payable (Note 8)	2,345	6,611
	2,345	92,311
Net assets available for benefits	8,951,160	9,353,523
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	791,700	(58,800)
Actuarial value of net assets available for benefits	9,742,860	9,294,723
Accrued Benefits		
Actuarial value of accrued benefits	9,107,900	8,410,900
Actuarial surplus	$ 634,960	$ 883,823

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Contributions (Note 9)	$ 349,807	$ 316,634
Investment income (Note 10)	-	394,802
Group transfer	-	289,286
	349,807	1,000,722
Decrease in assets		
Investment loss (Note 10)	383,453	-
Pension benefits	308,330	286,515
Refunds to members	43,981	45,712
Transfers to other plans	4,291	1,406
Transfer to ENMAX Corporation (Note 7)	1,629	85,700
Plan expenses (Note 11)	10,486	8,524
	752,170	427,857
(Decrease) Increase in net assets	(402,363)	572,865
Net assets available for benefits at beginning of year	9,353,523	8,780,658
Net assets available for benefits at end of year	$8,951,160	$9,353,523

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in accrued benefits		
Interest accrued on benefits	$ 628,700	$ 597,800
Benefits earned	367,800	344,500
Experience loss (Note 12 (a))	55,900	44,100
Group transfer	-	266,500
Plan improvements	-	138,300
	1,052,400	1,391,200
Decrease in accrued benefits		
Benefits paid including interest	355,400	343,400
Transfer to ENMAX Corporation (Note 7)	-	75,500
	355,400	418,900
Net increase in accrued benefits	697,000	972,300
Accrued benefits at beginning of year	8,410,900	7,438,600
Accrued benefits at end of year (Note 12)	$ 9,107,900	$8,410,900

See accompanying notes and schedules.

LOCAL AUTHORITIES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Actuarial surplus at beginning of year	$ 883,823	$ 880,358
(Decrease) Increase in net assets available for benefits	(402,363)	572,865
Net change in actuarial adjustment for fluctuation in fair value of net assets	850,500	402,900
Net increase in accrued benefits	(697,000)	(972,300)
Actuarial surplus at end of year	$ 634,960	$ 883,823

See accompanying notes and schedules

LOCAL AUTHORITIES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Local Authorities Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 366/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible employees of local authorities and approved public bodies. These include cities, towns, villages, municipal districts, hospitals, school divisions and districts, colleges and technical institutes.

(b) Funding Policy

Current and prior service costs are funded by employers and employees at rates which are expected to provide for all benefits payable under the Plan. The rates for employers are 1.0% more than the rates for employees. There were no changes in rates in 2001. The rates in effect at December 31, 2001 were 4.025% of pensionable earnings up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 5.90% of the excess for employees, and 5.025% of pensionable earnings up to the YMPE and 6.90% of the excess for employers. The rates are to be reviewed at least once every three years by the board based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides for a pension of 1.4% for each year of pensionable service based on the average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the Plan is 35 years. Unreduced pensions are payable to members who retire with at least two years of service and have either attained age 65, or age 55 and the sum of their age and service equals 85. Reduced pensions are payable to members retiring early.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least two years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least two years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least two years of service. The benefits may take the form of a survivor pension, if the beneficiary is a spouse, or a lump sum payment. The beneficiary of a deceased member with fewer than two years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least two years of service and who are not immediately entitled to a pension may transfer out the commuted value for all earned service, contributions paid in respect of optional service with interest, plus excess contributions if applicable, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with fewer than two years of service receive a refund of their contributions and interest.

(g) Optional Service and Reciprocal Transfers

All optional service purchases are to be cost-neutral to the Plan.

Transferred-in service will be on an actuarial reserve basis and transfers out will receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act. The Plan's registration number is 0216556.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	2001	2000
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	25.5	24.7
Canadian Pooled Equities Fund	18.7	39.8
Domestic Passive Equity Pooled Fund	22.7	28.0
EAFE Structured Equity Pooled Fund	49.2	35.8
Private Equity Pool	53.5	53.5
Private Mortgage Pool	30.6	41.1
Private Real Estate Pool	33.0	40.1
US Passive Equity Pooled Fund	49.5	64.5
United States Pooled Equities Fund	40.8	40.8
Floating Rate Note Pool	-	1.4
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	60.8	54.7
Canadian Small Cap Equity Pool	48.0	37.5
EAFE Core Equity Pool	30.1	37.3
EAFE Passive Equity Pool	21.6	39.5
EAFE Plus Equity Pool	29.7	32.7
US Large Cap Equity Pool	30.7	34.5
US Passive Equity Pool	13.4	7.4
US Mid/Small Cap Equity Pool	33.8	34.5

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine fair value of investments held by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by investment managers of Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair value. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, consisting of current market value and asset values projected from the year-end market values for the two previous years.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

> Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.
>
> Interest rate swaps are valued based on discounted cash flows using current market yields.
>
> Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.
>
> The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

	2001 ($ thousands)	%	2000 ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 109,955	1.2	$ 231,726	2.5
Canadian Dollar Public Bond Pool (b)	2,153,806	24.1	2,181,173	23.1
Real Rate of Return Bonds (c)	414,636	4.6	487,987	5.2
Private Mortgage Pool (d)	281,819	3.2	398,021	4.2
Floating Rate Note Pool	-	-	28,246	0.3
Corporate	-	-	14,195	0.2
Total fixed income securities	2,960,216	33.1	3,341,348	35.5
Canadian Equities (Schedule B)				
External Managers				
Canadian Large Cap Equity Pool (e)	1,060,406	11.9	656,765	7.0
Canadian Small Cap Equity Pool (f)	203,207	2.3	179,161	1.9
Domestic Passive Equity Pooled Fund (g)	612,328	6.8	635,229	6.7
Canadian Pooled Equities Fund (h)	407,134	4.6	978,110	10.4
Private Equity Pool (i)	32,733	0.4	42,844	0.4
Public equities, direct	18	-	-	-
	2,315,826	26.0	2,492,109	26.4
United States Equities (Schedule C)				
External Managers				
US Large Cap Equity Pool (j)	686,197	7.7	609,442	6.5
US Passive Equity Pool (k)	188,626	2.1	83,448	0.9
US Mid/Small Cap Equity Pool (l)	109,020	1.2	86,619	0.9
US Passive Equity Pooled Fund (k)	596,218	6.7	652,023	6.9
United States Pooled Equities Fund	1,363	-	1,521	-
	1,581,424	17.7	1,433,053	15.2
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (m)	771,002	8.6	732,334	7.8
EAFE Plus Equity Pool (m)	388,073	4.3	296,474	3.1
EAFE Passive Equity Pool (n)	189,222	2.1	436,705	4.6
Emerging Markets Equity Pool (o)	3	-	14	-
EAFE Structured Equity Pooled Fund (p)	192,946	2.2	166,223	1.8
	1,541,246	17.2	1,631,750	17.3
Real Estate				
Private Real Estate Pool (q)	539,913	6.0	531,683	5.6
Total equities and real estate	5,978,409	66.9	6,088,595	64.5
Total investments	$ 8,938,625	100.0	$ 9,429,943	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 5.34% per annum (2000: 6.07% per annum) and the following term structure based on principal amount: under 1 year 4% (2000: 6%); 1 to 5 years 35% (2000: 37%); 6 to 10 years 31% (2000: 28%); 11 to 20 years 12% (2000: 15%); over 20 years 18% (2000: 14%).

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation. As at December 31, 2001, the bonds have an effective market yield of 3.77% per annum (2000: 3.42% per annum) and the following term structure based on principal amount: 10 to 20 years 36% (2000: 0%); over 20 years 64% (2000: 100%).

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2001, mortgages held by the pool have an average effective market yield of 6.47 % per annum (2000: 7.27% per annum) and the following term structure based on principal amount. Under 1 year 15% (2000: 8%); 1 to 5 years 17% (2000: 27%); 6 to 10 years 22% (2000: 28%); 11 to 20 years 26% (2000: 23%); and over 20 years 20% (2000: 14%).

(e) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide investment returns higher than the total return of the Toronto Stock Exchange (TSE) 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(f) The External Managers Canadian Small Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. Each portfolio is actively managed by an external manager with expertise in the Canadian small cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 Index over a four-year period and returns higher than the Nesbitt Burns Small Cap Index over the near term. Return volatility is reduced through multiple manager investment style and small market capitalization focus.

(g) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the TSE 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(h) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the TSE 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(i) The Private Equity Pool is in the process of orderly liquidation.

(j) The External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap equity market. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S & P) 500 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(k) The External Managers US Passive Equity Pool consists of a single portfolio of publicly traded United States equities similar in weights to the S & P 500 Index. The portfolio is passively managed by an external manager with expertise in the US equity market. The performance objective is to provide investment returns comparable to the total return of the S & P 500 Index over a four-year period.

The US Passive Equity Pooled Fund is managed internally with the objective of attaining investment returns comparable to the S & P 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments.

(l) The External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the mid and small cap US equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period.

(m) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(n) The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities that replicate the MSCI EAFE Index. The performance objective is to provide returns comparable to the total return of the MSCI EAFE Index over a four- year period.

(o) The External Managers Emerging Markets Equity Pool consists of a single portfolio of publicly traded equities in emerging markets around the world. The portfolio is actively managed by an external manager with expertise in emerging markets. The performance objective is to provide returns higher than the total return of the Morgan Stanley Capital Index Emerging Markets Free (MSCI EMF) Index over a four-year period.

(p) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is internally managed with the objective of providing investment returns comparable to the total return of the MSCI EAFE Index. The pooled fund provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(q) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies, which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board of Trustees established a policy asset mix of 35% fixed income instruments, 60% equities and 5% real estate. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31:

	2001		2000	
	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	($ thousands)			
Equity index swap contracts	$1,007,777	$36,051	$1,116,494	$(25,680)
Bond index swap contracts	59,931	29	174,008	1,090
Interest rate swap contracts	272,469	(11,752)	259,455	(4,070)
Forward foreign exchange contracts	288,645	548	188,798	133
Equity index futures contracts	35,853	1,262	1,579	7
	1,664,675	$26,138	1,740,334	$(28,520)
Cross-currency interest rate swap contracts (b)	677,136		806,456	
	$2,341,811		$2,546,790	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001, the combined values of cross-currency interest rate swaps and underlying securities amounted to $680,665,000 (2000 $813,775,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $337,353,000 (2000 $715,041,000) that mature between 1 and 3 years and $194,190,000 (2000 $240,819,000) that mature over 3 years.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2001	2000
	($ thousands)	
Employers	$ 7,278	$ 7,819
Employees	6,177	6,524
	$13,455	$14,343

NOTE 7 DUE TO AND TRANSFER TO ENMAX CORPORATION

In December 2000, the Lieutenant Governor in Council approved the withdrawal of all active members of ENMAX Corporation from the Plan effective December 31, 2000. In accordance with section 18(1) of Schedule 1 to the Public Sector Pension Plans (Legislative Provisions) Regulation (AR 365/ 93), all apportioned assets and liabilities as determined by the Plan's actuary were transferred to the ENMAX Corporation Pension Plan in 2001. The excess of total apportioned assets over liabilities represents the total apportioned plan surplus that was transferred to ENMAX. All rights of ENMAX Corporation and its active employees in relation to the Plan are now extinguished.

NOTE 8 ACCOUNTS PAYABLE

	2001	2000
	($ thousands)	
Benefits	$ 65	$ 67
Refunds and transfers	3,395	6,815
Plan expenses	(1,115)	(271)
	$ 2,345	$ 6,611

NOTE 9 CONTRIBUTIONS

	2001	2000
	($ thousands)	
Current and optional service		
Employers	$ 187,601	$ 170,694
Employees (a)	159,437	143,754
Transfers from other plans	2,769	2,186
	$ 349,807	$ 316,634

(a) Includes $7,052,000 (2000 $5,039,000) of optional service contributions.

NOTE 10 INVESTMENT (LOSS) INCOME

The following is a summary of the Plan's proportionate share of investment (loss) income from pooled funds:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 201,543	$ 340,565
Canadian Equities	(224,757)	287,841
Foreign Equities		
United States	(113,009)	(68,184)
Non-North American	(288,591)	(200,628)
Real Estate	41,361	35,208
	$ (383,453)	$ 394,802

Investment (loss) income is comprised of the following:

	2001	2000
	($ thousands)	
Net realized and unrealized (losses) gains on investments	$ (550,675)	$ 111,865
Derivative loss	(173,529)	(67,192)
Interest income	226,783	274,741
Dividend income	93,888	56,095
Real estate income	28,989	26,747
Securities lending income	1,844	1,108
Pooled funds management and associated custodial fees (Note 11)	(10,753)	(8,562)
	$ (383,453)	$ 394,802

NOTE 11 PLAN EXPENSES

	2001	2000
	($ thousands)	
General administration costs	$ 7,237	$ 6,654
APEX project costs	1,485	293
Investment management costs	907	913
Plan restructuring costs (to move LAPP to independence)	693	477
Actuarial fees	164	187
	$ 10,486	$ 8,524

General administration costs and business process reengineering costs (APEX project), including plan board costs (see Note 13) were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Revenue on a cost recovery basis to manage the Plan's investment portfolio. Pooled funds management and associated custodial fees totalling $10,753,000 (2000 $8,562,000) (see Note 10), which have been deducted from investment income of the pools, are excluded from plan expenses.

Plan restructuring costs (see Note 14) include remuneration to senior officials of Local Authorities Pension Plan Corporation as follows:

	2001	2000
	($ thousands)	
Chief Executive Officer		
Salary and bonus	$ 166.3	$ 156.8
Benefits	0.4	0.4
Director, Pension Policy		
Salary and bonus	90.5	78.0
Benefits	0.2	0.2
	$ 257.4	$ 235.4

Total plan expenses, excluding plan-restructuring costs but including pooled funds management and associated custodial fees amounted to $159 per member (2000 $136 per member).

The $23 per member cost increase is attributed to the following factors: increase in pooled funds management cost $13, increase in APEX project cost $9, increase in operating cost $2, and decrease in plan specific cost $1.

Pooled funds management and associated custodial fees amounted to $83 per member (2000 $70 per member). These expenses have been deducted from investment income of the pools and included in the determination of investment returns for the Plan (see Note 10).

Total plan expenses, excluding plan-restructuring costs but including pooled funds management and associated custodial fees amounted to 0.23% (2000: 0.18%) of assets under administration.

NOTE 12 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by William M. Mercer Limited and then extrapolated to December 31, 2001. The 2000 valuation was completed after the financial statements of the Plan for 2000 were released. As a result, the differences between the actuarial valuation results and extrapolation results for 2000 are accounted for as gains and losses in 2001.

The net experience losses as revealed in the December 31, 2000 valuation and reported in 2001 were mainly attributed to the following factors:

- Salary, Yearly Maximum Pensionable Earnings and interest on contributions were other than assumed,
- Current service contributions were less than normal actuarial cost, and
- Mortality, termination and retirement experience were less favourable than assumed.

The experience gains due to lower than expected cost-of-living adjustments have been completely offset by the losses.

The valuation as at December 31, 2000 was determined using the projected benefit method based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Local Authorities Pension Plan Board of Trustees. The major assumptions used were:

	December 31	
	2001 Extrapolation	2000 Valuation
	%	%
Investment return	7.25	7.25
Inflation rate	3.5	3.5
Salary escalation rate*	4.25	4.25

* Excludes merit and promotion.

The Board of Trustees has authorized a policy to have an actuarial valuation of the Plan to be carried out every year. As a result, an actuarial valuation of the Plan as at December 31, 2001 will be carried out subsequent to the completion of these financial statements. Any differences between the actuarial valuation results and extrapolation results as reported in these financial statements will affect the financial position of the Plan and will be accounted for as gains or losses in 2002.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

		Sensitivities	
	Changes in Assumptions %	Decrease in Plan Surplus ($ million)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (575)	0.7%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(427)	0.9%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(1,464)	2.4%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 10.8%.

NOTE 13 REMUNERATION OF BOARD MEMBERS

Remuneration paid with respect to a total of 14 board members during the year amounted to $92,000 (2000 $105,000).

NOTE 14 PLAN RESTRUCTURING COSTS

In June 1997, the Local Authorities Pension Plan Board of Trustees approved the development of a non-statutory pension plan to replace the existing statutory plan. In accordance with provisions and regulations of the Public Sector Pension Plans Act, the board is authorized to charge the Plan for all costs incurred up to a certain amount in connection with the development of the non-statutory plan. The amount authorized is $1,251,000 in 2001 (2000 $750,000). Total development costs incurred and charged to the Plan in 2001 amounted to $693,000 (2000 $477,000).

NOTE 15 BUDGET INFORMATION

The accrued benefits are based on the Local Authorities Pension Plan Board of Trustees' best estimates of future events after consultation with the Plan's actuary. Differences between actual results and the board's expectations are disclosed as experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

NOTE 16 COMPARATIVE FIGURES

Comparative figures have been restated to be consistent with 2001 presentation.

Schedule A

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 129,937	$ 271,115
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	970,602	1,050,184
Provincial		
Alberta, direct and guaranteed	7,532	7,324
Other, direct and guaranteed	499,902	479,402
Municipal	37,155	30,386
Corporate	744,386	822,846
Private		
Corporate	546,832	649,448
	2,806,409	3,039,590
Receivable from sale of investments and accrued investment income	26,015	31,438
Liabilities for investment purchases	(2,145)	(795)
	23,870	30,643
	$2,960,216	$ 3,341,348

(a) Fixed income securities held as at December 31, 2001 had an average effective market yield of 5.22% per annum (2000: 5.80% per annum). The following term structure of these securities as at December 31, 2001 is based on principal amount.

	2001	2000
	%	
under 1 year	5	5
1 to 5 years	28	30
6 to 10 years	25	24
11 to 20 years	17	14
over 20 years	25	27
	100	100

Schedule B

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 43,424	$ 26,328
Public Equities (a) (b)		
Communications and media	119,979	115,486
Conglomerates	32,252	87,143
Consumer products	135,761	123,547
Financial services	609,097	445,869
Gold and precious minerals	65,721	63,016
Industrial products	436,754	767,838
Merchandising	89,921	60,901
Metals and minerals	100,355	90,911
Oil and gas	278,555	309,536
Paper and forest products	64,146	63,339
Pipelines	45,871	110,075
Real estate and construction	20,506	26,467
Transportation and environmental services	82,784	24,106
Utilities	138,829	138,393
	2,220,531	2,426,627
Passive index	16,099	10,491
	2,236,630	2,437,118
Private Equities	22,887	30,369
Receivable from sale of investments and accrued investment income	22,450	11,725
Liabilities for investment purchases	(9,565)	(13,431)
	12,885	(1,706)
	$2,315,826	$ 2,492,109

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $270,594,000 (2000 $281,877,000), which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule C

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 7,416	$ 878
Public Equities (a) (b)		
Basic materials	66,264	58,126
Commercial services	44,586	35,738
Consumer cyclical	113,317	88,220
Consumer non-cyclical	122,261	102,241
Consumer services	93,826	76,194
Energy	105,965	96,700
Financial	302,363	289,192
Health Care	230,360	200,222
Industrials	60,287	53,299
Technology	302,906	309,747
Telecommunications	74,084	65,938
Transport	8,597	12,506
Utilities	33,051	57,351
	1,557,867	1,445,474
Receivable from sale of investments and accrued investment income	19,492	7,164
Liabilities for investment purchases	(3,351)	(20,463)
	16,141	(13,299)
	$1,581,424	$ 1,433,053

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $577,707,000 (2000 $664,955,000), which are used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The industrial classifications are those used by the Standard & Poor's indices.

Schedule D

LOCAL AUTHORITIES PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 39,378	$ 17,146
Public Equities (a)		
Country		
United Kingdom	376,351	351,989
Japan	249,008	349,813
France	169,902	173,810
Netherlands	110,779	109,952
Switzerland	107,898	119,405
Germany	103,617	133,152
Australia	57,141	52,905
Hong Kong	55,918	55,678
Italy	52,924	65,550
Spain	45,906	44,109
Sweden	28,573	50,898
Finland	27,429	40,004
Other	106,539	69,412
	1,491,985	1,616,677
Receivable from sale of investments and accrued investment income	22,175	8,297
Liabilities for investment purchases	(12,292)	(10,370)
	9,883	(2,073)
	$1,541,246	$1,631,750

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $184,590,000 (2000 $169,662,000), which are used as underlying securities to support the notional amount of Non-North American equity index swaps and futures contracts.

MANAGEMENT EMPLOYEES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits of the Management Employees Pension Plan as at December 31, 2001 and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 7, 2002

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Net Assets Available For Benefits		
Assets		
Investments (Note 3)	$1,475,297	$1,551,155
Accrued investment income	220	344
Contributions receivable (Note 6)	4,484	3,275
Accounts receivable	65	728
	1,480,066	1,555,502
Liabilities		
Accounts payable	25	99
Net assets available for benefits	1,480,041	1,555,403
Accrued Benefits (Note 9)		
Actuarial value of accrued benefits	1,474,703	1,384,545
Actuarial surplus (Note 10)	$ 5,338	$ 170,858

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Contributions (Note 1(b))		
Current and optional service		
Employees	$ 17,946	$ 16,667
Employers	24,415	22,316
Transfers from other plans	781	66
Transfer from Alberta Treasury Branches	-	421
	43,142	39,470
Investment income (Note 7)	-	117,078
	43,142	156,548
Decrease in assets		
Investment loss (Note 7)	66,405	-
Pension benefits	48,476	43,160
Refunds to members	1,247	1,415
Transfers to other plans	1,464	244
Plan expenses (Note 8)	912	720
	118,504	45,539
(Decrease) Increase in net assets	(75,362)	111,009
Net assets available for benefits at beginning of year	1,555,403	1,444,394
Net assets available for benefits at end of year	$ 1,480,041	$ 1,555,403

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in accrued benefits		
Interest accrued on benefits	$ 100,023	$ 94,842
Benefits earned	40,541	37,800
Transfer from Alberta Treasury Branches		421
	140,564	133,063
Decrease in accrued benefits		
Benefits paid and transfers	50,406	44,819
Net experience gains		15,374
	50,406	60,193
Net increase in accrued benefits	90,158	72,870
Accrued benefits at beginning of year	1,384,545	1,311,675
Accrued benefits at end of year (Note 9)	$ 1,474,703	$ 1,384,545

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Surplus at beginning of year as originally reported	$ 104,658	$ 46,019
Effect of change in accounting policy (Note 10)		
Removal of asset fluctuation reserve	66,200	86,700
Surplus at beginning of year as restated	170,858	132,719
(Decrease) Increase in net assets available for benefits	(75,362)	111,009
Net increase in accrued benefits	(90,158)	(72,870)
Surplus at end of year	$ 5,338	$ 170,858

See accompanying notes and schedules.

MANAGEMENT EMPLOYEES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Management Employees Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 367/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible management employees of the Province of Alberta and certain approved provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were active contributors at August 1, 1992 and have not withdrawn from the Plan since that date continue as members of this Plan.

(b) Funding Policy

Current service costs are funded by employee and employer contributions at rates which together with investment earnings are expected to provide for all benefits payable under the Plan. There were no changes in rates in 2001. The rates in effect in 2001 were 7.75% of pensionable salary for employees and 10.75% for employers. The rates were reviewed in 2000 by the Minister of Finance and are to be reviewed again at least once every three years based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. Pensionable earnings after December 31, 1991 are capped at $86,111 per year by the federal Income Tax Act. The maximum service allowable under the Plan is 35 years.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions on service after 1991 are reduced if the member is under age 60 and the 80 factor is not attained.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse, or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a refund or a deferred pension. A refund is based on contributions and interest in relation to service before 1992 and commuted value for service after 1991. Refunds are subject to the Plan's lock-in provisions.

(g) Guarantee

The Province of Alberta guarantees payment of all benefits arising from service before 1994.

(h) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(j) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act. The Plan's registration number is 0570887.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership of pooled investment funds at December 31 was as follows:

	% Ownership	
	2001	2000
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	5.0	5.6
Canadian Pooled Equities Fund	8.4	7.2
Canadian Equity Index (excluding Nortel) Pooled Fund	-	68.0
Domestic Passive Equity Pooled Fund	7.2	0.2
EAFE Structured Equity Pooled Fund	2.3	6.4
Private Equity Pool	7.6	7.6
Private Mortgage Pool	6.0	5.8
US Passive Equity Pooled Fund	4.5	3.2
United States Pooled Equities Fund	6.3	6.3
Floating Rate Note Pool	-	0.1
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	3.4	4.7
Canadian Small Cap Equity Pool	3.8	4.9
EAFE Core Equity Pool	4.3	5.0
EAFE Passive Equity Pool	4.9	4.5
EAFE Plus Equity Pool	4.2	4.3
US Large Cap Equity Pool	4.3	5.7
US Passive Equity Pooled Fund	4.6	5.9
US Mid/Small Cap Equity Pool	4.7	5.6

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held by pooled investment funds are explained in the following paragraphs:

(i) Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

(iii) The fair value of private equities is estimated by Alberta Revenue.

(iv) The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange except for hedged foreign currency transactions, which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

(i) Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

(ii) Interest rate swaps are valued based on discounted cash flows using current market yields.

(iii) Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

(iv) The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

	2001 ($ thousands)	%	2000 ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 27,737	1.9	$ 33,016	2.1
Canadian Dollar Public Bond Pool (b)	421,228	28.6	495,174	31.9
Real Rate of Return Bonds (c)	68,160	4.6	65,487	4.2
Private Mortgage Pool (d)	55,129	3.7	56,485	3.7
Floating Rate Note Pool	-	-	2,795	0.2
Total fixed income securities	572,254	38.8	652,957	42.1
Canadian Equities (Schedule B)				
Domestic Passive Equity Pooled Fund (e)	194,028	13.2	5,020	0.3
Canadian Pooled Equities Fund (f)	182,588	12.4	177,021	11.4
External Managers				
Canadian Large Cap Equity Pool (g)	59,806	4.0	56,257	3.7
Canadian Small Cap Equity Pool (g)	16,061	1.1	23,609	1.5
Private Equity Pool (h)	4,630	0.3	6,061	0.4
Canadian Equity Index (excluding Nortel) Pooled Fund	-	-	201,280	13.0
	457,113	31.0	469,248	30.3
United States Equities (Schedule C)				
External Managers				
US Large Cap Equity Pool (i)	95,511	6.5	98,286	6.3
US Passive Equity Pool (j)	65,141	4.4	66,576	4.3
US Mid/Small Cap Equity Pool (i)	15,071	1.0	14,052	0.9
US Passive Equity Pooled Fund (j)	53,734	3.6	32,201	2.1
United States Pooled Equities Fund	210	-	234	-
	229,667	15.5	211,349	13.6
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (k)	110,027	7.5	98,992	6.4
EAFE Plus Equity Pool (k)	54,254	3.7	39,312	2.5
EAFE Passive Equity Pool (l)	42,876	2.9	49,664	3.2
EAFE Structured Equity Pooled Fund (l)	9,106	0.6	29,633	1.9
	216,263	14.7	217,601	14.0
Total equities	903,043	61.2	898,198	57.9
Total investments	$ 1,475,297	100.0	$ 1,551,155	100.0

(a) The Consolidated Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage.

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the TSE 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Canadian Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the TSE 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and unique market capitalization focus.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers US Large Cap Equity Pool consists of multiple portfolios and the External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S & P) 500 Index for the US Large Cap Pool and the Russell 2500 Index for the US Mid/Small Cap Pool over a four-year period. Return volatility is reduced through multiple manager investment style and unique market capitalization focus.

(j) Each of the single portfolios of the External Managers US Passive Equity Pool and the US Passive Equity Pooled Fund consists of publicly traded United States equities similar in weights to the S & P 500 Index. The External Managers US Passive Equity Pool is passively managed by an external manager with expertise in the US equity market and the US Passive Equity Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S & P 500 Index over a four-year period. To enhance investment returns with no substantial increase in risks, the US Passive Equity Pooled Fund also invests in futures, swaps and other structured investments.

(k) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(l) The performance objective of the External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a benchmark policy asset mix of 40% fixed income instruments and 60% equities. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contacts held by pooled funds at December 31, 2001:

	2001		2000	
	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
		($ thousands)		
Equity index swap contracts	$ 144,256	$ 5,553	$ 91,273	$ 2,143
Bond index swap contracts	11,721	6	39,504	248
Interest rate swap contracts	41,647	(1,834)	28,084	(573)
Forward foreign exchange contracts	38,597	81	26,798	12
Equity index futures contracts	3,764	123	209	1
	239,985	$ 3,929	185,868	$ 1,831
Cross-currency interest rate swap contracts (b)	100,544		91,670	
	$ 340,529		$ 277,538	

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amounted to $101,151,000 (2000 $92,444,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $46,496,000 (2000 $71,708,000) that mature between 1 and 3 years and $35,205,000 (2000 $41,050,000) that mature over 3 years.

NOTE 6 CONTRIBUTIONS RECEIVABLE

	2001	2000
	($ thousands)	
Employees	$ 1,856	$ 1,358
Employers	2,628	1,917
	$ 4,484	$ 3,275

NOTE 7 INVESTMENT (LOSS) INCOME

Investment (loss) income is comprised of the following:

	2001	2000
	($ thousands)	
Interest income	$ 39,431	$ 49,867
Dividend income	17,739	9,188
Net realized and unrealized (losses) gains on investments	(109,899)	44,529
Derivative (loss) income	(12,441)	14,586
Securities lending income	287	171
Pooled funds management and associated custodial fees	(1,522)	(1,263)
	$ (66,405)	$ 117,078

The following is a summary of the Plan's proportionate share of investment (loss) income by type of investments:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 38,722	$ 70,324
Canadian Equities	(48,029)	85,007
Foreign Equities		
United States	(15,171)	(8,184)
Non North American	(41,927)	(30,069)
	$ (66,405)	$ 117,078

The following is a summary of the investment performance results attained by the Plan:

	One Year Return	Four Year Compound Annualised Return
Timed-weighted rates of return		
Overall Plan	4.4%	6.9%
Policy Benchmark	4.1%	6.6%

NOTE 8 PLAN EXPENSES

	2001	2000
	($ thousands)	
General administration costs	$ 625	$ 375
Investment management costs	226	233
Actuarial fees	61	112
	$ 912	$ 720

General administration costs, including plan specific costs of $85,000 (2000 $38,000) and Board remuneration costs of $11,000 (2000 $nil), were paid to the Alberta Pensions Administration Corporation on a cost-recovery basis. Investment management costs were also paid to Alberta Revenue on a cost-recovery basis.

Pooled funds management and associated custodial fees totalling $1,522,000 (2000 $1,263,000) (see Note 7), which have been deducted from investment income of the pooled funds, are excluded from plan expenses.

Total expenses, including pooled funds management and associated custodial fees, amounted to $429 per member (2000 $368 per member). The $61 per member cost net increase in 2001 is attributed to the following factors: increase in pooled funds management cost $34, increase in operating cost $18, increase in business process reengineering cost $14, decrease in plan specific cost $2, and decrease in investment management cost $3.

Total expenses, including pooled funds management and associated custodial fees, amounted to 0.164% (2000: 0.127%) of assets under administration.

NOTE 9 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. and was then extrapolated to December 31, 2001. The 1999 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used in the actuarial extrapolation were:

	December 31 2001 Extrapolation %	 2000 Extrapolation %
Asset real rate of return	4.25	4.25
Inflation rate	3.0	3.0
Investment rate of return	7.25	7.25
Salary escalation rate*	3.0	3.0
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Excludes merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation and extrapolation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

		Sensitivities	
	Changes in Assumptions %	Decrease in Plan Surplus ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (108)	1.3%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(27)	0.6%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(236)	3.7%

* The current service cost as a % of pensionable earnings, as determined by the December 31, 1999 valuation is 18.7%.

NOTE 10 CHANGE IN ACCOUNTING POLICY

Prior to 2001, in order to moderate the effect of market volatility on investment values, the Plan's actuarial value of net assets available for benefits and actuarial surplus were determined by providing for an asset fluctuation reserve against the Plan's fair value of net assets available for benefits.

For 2001, on the recommendation of the Board in consultation with the Plan's actuary, the asset fluctuation reserve was removed.

The effect of this change is that the actuarial surplus as at December 31, 2001 is decreased by $58.4 million. The actuarial surplus as at December 31, 2000 has been restated and as a result, increased by $66.2 million.

If the change had not been made, the actuarial surplus of the Plan would have been $63.7 million as at December 31, 2001 (2000 $104.7 million).

NOTE 11 BUDGET INFORMATION

The accrued benefits are based on the Management Employees Pension Board's best estimates of future events. Differences between actual results and the Board's expectations are disclosed as net experience gains and losses in the Statement of Changes in Accrued Benefits. Accordingly, a budget is not included in these financial statements.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been restated to be consistent with the 2001 presentation.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

Schedule A

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 31,645	$ 41,793
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	176,892	193,118
Provincial		
Alberta, direct and guaranteed	1,473	1,663
Other, direct and guaranteed	97,768	107,593
Municipal	7,267	6,898
Corporate	145,583	180,256
Private		
Corporate	106,958	114,911
	535,941	604,439
Receivable from sale of investments and accrued investment income	5,088	6,894
Liabilities for investment purchases	(420)	(169)
	(871)	(871)
	4,668	6,725
	$ 572,254	$ 652,957

(a) Fixed income securities held as at December 31, 2001 had an average effective market yield of 5.26% per annum (2000: 5.90% per annum). The following term structure of these securities as at December 31, 2001 is based on principal amount:

	2001	2000
	%	
under 1 year	5	6
1 to 5 years	29	33
6 to 10 years	26	25
11 to 20 years	16	14
over 20 years	24	22
	100	100

Schedule B

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share 2001	Plan's Share 2000
Deposits and short-term securities	$ 7,393	$ 2,644
Public Equities (a) (b)		
Communications and media	22,609	23,802
Conglomerates	7,118	18,185
Consumer products	22,146	23,007
Financial services	123,520	85,755
Gold and precious minerals	15,276	13,975
Industrial products	87,043	125,251
Merchandising	14,257	12,010
Metals and minerals	22,374	19,503
Oil and gas	52,327	62,053
Paper and forest products	10,519	12,028
Pipelines	10,356	10,457
Real estate and construction	3,609	4,976
Transportation and environmental services	12,607	5,625
Utilities	33,085	40,244
	436,846	456,871
Passive index	6,320	715
	443,166	457,586
Private Equities	3,238	4,296
Receivable from sale of investments and accrued investment income	6,034	5,502
Liabilities for investment purchases	(2,718)	(780)
	3,316	4,722
	$ 457,113	$ 469,248

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $85,743,000 (2000 $28,187,000), which were used as underlying securities to support Canadian equity index swaps contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule C

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share 2001	Plan's Share 2000
Deposits and short-term securities	$ 1,005	$ 89
Public Equities (a) (b)		
Basic materials	9,606	8,465
Commercial services	6,557	5,189
Consumer cyclical	16,632	12,799
Consumer non-cyclical	17,855	14,883
Consumer services	13,583	11,355
Energy	15,413	14,177
Financial	44,168	42,505
Health Care	33,564	29,406
Industrials	8,787	7,867
Technology	44,142	45,156
Telecommunications	10,865	9,558
Transport	1,275	1,876
Utilities	4,850	8,680
	227,297	211,916
Receivable from sale of investments and accrued investment income	1,830	711
Liabilities for investment purchases	(465)	(1,367)
	1,365	(656)
	$ 229,667	$ 211,349

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $52,065,000 (2000 $32,840,000), which were used as underlying securities to support US equity index swaps contracts.

(b) The industrial classifications are those used by the Standard & Poor's indices.

Schedule D

MANAGEMENT EMPLOYEES PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 5,574	$ 2,205
Public Equities (a)		
Country		
United Kingdom	52,965	46,871
Japan	35,019	46,763
France	23,914	23,262
Netherlands	15,631	14,699
Switzerland	15,200	15,921
Germany	14,572	17,822
Australia	8,049	7,062
Hong Kong	7,911	7,459
Italy	7,449	8,724
Spain	6,449	5,873
Sweden	4,032	6,807
Finland	3,849	5,322
Other	14,989	9,141
	210,029	215,726
Receivable from sale of investments and accrued investment income	2,508	1,121
Liabilities for investment purchases	(1,848)	(1,451)
	660	(330)
	$ 216,263	$ 217,601

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $ 8,711,000 (2000 $30,246,000), which were used as underlying securities to support Non-North American equity index swaps contracts.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

FINANCIAL STATEMENTS

MARCH 31, 2002

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Notes to the Financial Statements

Schedule of Investment Returns

Schedule of Investments in Fixed Income Securities

Schedule of Investments in Canadian Equities

Schedule of Investments in United States Equities

Schedule of Investments in Non-North American Equities

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of net assets available for benefits and accrued benefits of the Provincial Judges and Masters in Chambers (Registered) Pension Plan as at March 31, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued benefits of the Plan as at March 31, 2002 and the results of its operations and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J Dunn CA
Auditor General

Edmonton, Alberta
June 14, 2002

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT MARCH 31, 2002

($ thousands)

	2002	2001
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$ 72,133	$ 72,542
Receivable from the sale of investments	72	15,890
Receivable from the Unregistered Plan (Note 6)	384	1,098
Contributions receivable	107	126
	72,696	89,656
Liabilities		
Accounts payable	108	515
Due to the Province of Alberta	-	17,100
	108	17,615
Net assets available for benefits	72,588	72,041
Accrued Benefits		
Accrued benefits (Note 7)	69,079	67,602
Actuarial Surplus (Note 8)	$ 3,509	$ 4,439

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2002

($ thousands)

	2002	2001
Increase in assets		
Net investment income (Note 9)	$ 2,250	$ -
Contributions		
Provincial Judges and Masters in Chambers	637	656
Province of Alberta	841	852
	1,478	1,508
	3,728	1,508
Decrease in assets		
Pension benefits		
Administration costs (Note 10)	3,027	2,863
Transfer to the Province of Alberta	154	-
Net investment loss (Note 9)	-	17,100
	-	4,913
	3,181	24,876
Increase (Decrease) in net assets	547	(23,368)
Net assets available for benefits at beginning of year	72,041	95,409
Net assets available for benefits at end of year	$ 72,588	$ 72,041

See accompanying notes and schedules.

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2002

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Provincial Judges and Masters in Chambers (Registered) Pension Plan (Registered Plan) is a summary only. For a complete description of the Registered Plan, reference should be made to the Provincial Court Act, Chapter P-31, Revised Statutes of Alberta 2000, Court of Queen's Bench Act, Chapter P-31, Revised Statutes of Alberta 2000, Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000 and Alberta Regulation 196/2001.

(a) General

Effective April 1, 1998, the Registered Plan is a contributory defined benefit pension plan for Provincial Judges and Masters in Chambers of the Province of Alberta. Pensionable earnings earned after December 31, 1991 are capped at $86,111 by the Income Tax Act.

(b) Funding Policy

Current service costs are funded by the Province of Alberta and plan members at rates which are expected to provide for all benefits payable under the Registered Plan. The rates in effect at March 31, 2002 were unchanged at 7.0% of capped earnings for plan members and 9.22% of capped earnings for the Province. The rates are to be reviewed at least once every three years by the Province based on recommendations of the Registered Plan's actuary.

The unfunded liability, if any, as of any particular valuation date is funded by additional contributions from the Province over a period not exceeding 15 years.

(c) Retirement Benefits

The Registered Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum pensionable service allowable under the Registered Plan is 35 years. The normal pensionable age of the Registered Plan is 70 years of age.

Members are entitled to an unreduced pension on service before 1992 if they have attained age 55 and have at least five years of service.

Members are entitled to an unreduced pension on service after 1991 and before April 1, 1998 if they retire with at least five years of service and have either attained age 60 or age 55 and the sum of their age and service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained.

Members are entitled to an unreduced pension on service after March 31, 1998 if they retire with at least five years of service and have attained age 60 and the sum of their age and service equals 80. Pensions are reduced if the member is under age 60 or if the 80 factor is not attained at age 60. The 80-factor requirement does not apply to members who have attained age 70.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member. If the member has at least five years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than five years, a lump sum payment must be chosen.

(f) Termination Benefits

Members who terminate with fewer than five years of service receive a refund of their own contributions plus interest.

Members who terminate with more than five years of service and are not immediately entitled to a pension may apply for a deferred pension.

(g) Province's Liability for Benefits

Benefits are payable by the Province of Alberta if assets are insufficient to pay for all benefits under the Registered Plan.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index.

(i) Income Taxes

The Registered Plan is a registered pension plan as defined in the Income Tax Act and is not subject to income taxes. The Registered Plan's registration number is 0927764.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Registered Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Registered Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The Registered Plan's respective percentage ownership in pooled investment funds at March 31 was as follows:

	% Ownership	
	2002	2001
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	0.29	0.29
Canadian Pooled Equities Fund	0.28	0.25
Domestic Passive Equity Pooled Fund	0.24	0.29
EAFE Structured Equity Pooled Fund	0.18	0.18
Private Equity Pool	0.56	0.56
Private Mortgage Pool	0.34	0.44
Private Real Estate Pool	0.25	0.30
US Passive Equity Pooled Fund	0.20	0.16
United States Pooled Equities Fund	0.40	0.40
Floating Rate Note Pool	-	0.02
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	0.08	0.14
Canadian Small Cap Equity Pool	0.14	0.26
EAFE Core Equity Pool	0.20	0.28
EAFE Passive Equity Pool	0.21	0.21
EAFE Plus Equity Pool	0.19	0.28
US Large Cap Equity Pool	0.19	0.25
US Passive Equity Pool	0.20	0.35
US Mid/Small Cap Equity Pool	0.18	0.31

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Registered Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

The fair value of private equities is estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At the year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income or loss.

(e) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income or losses. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES B TO E)

	2002		2001	
	($ thousands)	%	($ thousands)	%
Fixed Income Securities (Schedule B)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 3,516	4.9	$ 2,445	3.4
Canadian Dollar Public Bond Pool (b)	25,543	35.4	24,053	33.1
Private Mortgage Pool (c)	3,023	4.2	3,889	5.4
Floating Rate Note Pool	-	-	289	0.4
Total fixed income securities	32,082	44.5	30,676	42.3
Canadian Equities (Schedule C)				
Domestic Passive Equity Pooled Fund (d)	6,360	8.8	5,965	8.2
Canadian Pooled Equities Fund (e)	5,534	7.7	5,509	7.6
External Managers				
Canadian Large Cap Equity Pool (f)	1,746	2.4	1,472	2.0
Canadian Small Cap Equity Pool (f)	654	0.9	1,207	1.7
Private Equity Pool (g)	295	0.4	453	0.6
	14,589	20.2	14,606	20.1
United States Equities (Schedule D)				
External Managers				
US Large Cap Equity Pool (h)	4,541	6.3	4,608	6.3
US Passive Equity Pool (i)	2,963	4.1	4,551	6.3
US Mid/Small Cap Equity Pool (h)	737	1.0	858	1.2
US Passive Equity Pooled Fund (i)	2,378	3.3	1,719	2.4
United States Pooled Equities Fund	14	-	16	-
	10,633	14.7	11,752	16.2
Non-North American Equities (Schedule E)				
External Managers				
EAFE Core Equity Pool (j)	5,439	7.5	5,641	7.8
EAFE Plus Equity Pool (j)	2,665	3.7	2,586	3.6
EAFE Passive Equity Pool (k)	1,855	2.6	2,459	3.4
EAFE Structured Equity Pooled Fund (k)	706	1.0	755	1.0
	10,665	14.8	11,441	15.8
Real Estate				
Private Real Estate Pool (l)	4,164	5.8	4,067	5.6
Total equities and real estate	40,051	55.5	41,866	57.7
Total investments	$ 72,133	100.0	$ 72,542	100.0

(a) The Consolidated Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years.

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation.

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage.

(d) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(e) The Canadian Pooled Equities Fund is managed with the objective of providing returns higher than the total return of the TSE 300 Index while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The External Managers Canadian Large Cap and Small Cap Equity Pools consist of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap or small cap equity markets. The Canadian Small Cap Pool is restricted to invest in publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. The performance objective is to provide investment returns higher than the total return of the TSE 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and unique market capitalization focus.

(g) The Private Equity Pool is in the process of orderly liquidation.

(h) The External Managers US Large Cap Equity Pool consists of multiple portfolios and the External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap or mid/small cap equity markets. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S & P) 500 Index for the US Large Cap Pool and the Russell 2500 Index for the US Mid/Small Cap Pool over a four-year period. Return volatility is reduced through multiple manager investment style and unique market capitalization focus.

(i) Each of the single portfolios of the External Managers US Passive Equity Pool and the US Passive Equity Pooled Fund consists of publicly traded United States equities similar in weights to the S & P 500 Index. The External Managers US Passive Equity Pool is passively managed by an external manager with expertise in the US equity market and the US Passive Equity Pooled Fund is managed internally. The performance objective is to provide investment returns comparable to the total return of the S & P 500 Index over a four-year period. To enhance investment returns with no substantial increase in risks, the US Passive Equity Pooled Fund also invests in futures, swaps and other structured investments.

(j) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(k) The performance objective of the External Managers EAFE Passive Equity Pool and the EAFE Structured Equity Pooled Fund is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period. The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities similar in weights to the MSCI EAFE index. The EAFE Structured Equity Pooled Fund is internally managed and provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(l) The Private Real Estate Pool is managed with the objective of providing investment returns comparable to the Russell Canadian Property Index over the long term. Real estate is held through intermediate companies which have issued to the pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Registered Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, management has established a policy asset mix: 45% fixed income instruments and 55% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Registered Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Registered Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at March 31, 2002:

	2002					2001	
	Maturity						
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Fair Value (a)	Notional Amount	Fair Value (a)
		%			($ thousands)		
Equity index swap contracts	87	13	-	$ 5,873	$ 102	$ 5,504	$ (430)
Bond index swap contracts	100	-	-	431	(4)	1,541	(8)
Interest rate swap contracts	37	61	2	2,131	(78)	1,597	(54)
Forward foreign exchange contracts	100	-	-	1,617	1	1,792	(4)
Equity index futures contracts	100	-	-	100	-	95	(6)
				10,152	$ 21	10,529	$ (502)
Cross-currency interest rate swap contracts (b)	39	23	38	4,136		4,879	
				$ 14,288		$ 15,408	

(a) The method of determining fair value of derivative contracts is described in Note 2 (e).

(b) Cross-currency interest rate swaps are valued as a package, which include underlying securities. As at March 31, 2002, the combined value of cross-currency interest rate swaps and underlying securities amounted to $4,131,000 (2001 $4,900,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

NOTE 6 PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (UNREGISTERED) PENSION PLAN (UNREGISTERED PLAN)

The Unregistered Plan is established with effect from April 1, 1998 to collect contributions and to provide pension benefits to plan members in excess of the maximum benefits allowed by the federal *Income Tax Act*. The Unregistered Plan is a Retirement Compensation Arrangement (RCA) Account under the *Income Tax Act* (Canada) and is administered by the Province as a separate trust. Accordingly, the Unregistered Plan's net assets available for benefits, liabilities for accrued benefits and actuarial surplus (deficit) referred to below have not been included in these financial statements.

The Unregistered Plan is funded by contributions from plan members and the Province. The contribution rates in effect at March 31, 2002 were unchanged at 7.0% of pensionable salary in excess of $86,111 for plan members and 7.0% of the excess for the Province. The contribution rate for the Province must equal or exceed the rate payable by plan members and is set by the Minister of Finance, taking into account recommendations of the Unregistered Plan's actuary. If assets held in the Unregistered Plan are insufficient to pay for benefits as they become due, the amount due is payable by the Province.

A summary of the net assets available for benefits and accrued benefits for the Unregistered Plan as at March 31, 2002 and changes in net assets available for benefits for the year then ended is as follows:

	2002	2001
	($ thousands)	
Net Assets Available For Benefits		
Cash and cash equivalents	$ 2,560	$ 2,997
Income tax refundable	2,360	1,832
Accounts receivable (payable), net	66	(2)
	4,986	4,827
Payable to the Provincial Judges and Masters in Chambers (Registered) Pension Plan	384	1,098
	4,602	3,729
Amounts recoverable from the Reserve Fund (a)	22,211	-
Net assets available for benefits	26,813	3,729
Accrued Benefits		
Actuarial value of accrued benefits	23,690	20,357
Actuarial surplus (deficit)	$ 3,123	$(16,628)

(a) Contributions from the Province of Alberta as determined by the Unregistered Plan's actuary and approved by the Minister of Finance are collected and held in The Provincial Judges and Masters in Chambers Reserve Fund. These contributions are invested by the Province to meet future benefit payments of the Unregistered Plan over the long term.

	2002	2001
	($ thousands)	
Increase in assets		
Current and previous year's contributions		
Provincial Judges and Masters in Chambers	$ 625	$ 651
Province of Alberta	625	639
Investment income	82	127
	1,332	1,417
Decrease in assets		
Pension benefits	407	31
Administration costs	52	-
	459	31
	873	1,386
Increase in amounts recoverable from the Reserve Fund	22,211	-
Increase in net assets	23,084	1,386
Net assets available for benefits at beginning of year	3,729	2,343
Net assets available for benefits at end of year	$ 26,813	$ 3,729

An actuarial valuation for the Unregistered Plan was carried out as at March 31, 2000 by Johnson Incorporated and was then extrapolated to March 31, 2002, taking into account significant changes to the Unregistered Plan since March 31, 2000. The 2000 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This best estimate was, after consultation with the Unregistered Plan's actuary, approved by management.

The major assumptions used in the actuarial valuation and extrapolation were the same as those used in the valuation of the Registered Plan (see Note 7).

The Unregistered Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Unregistered Plan.

NOTE 7 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Registered Plan was carried out as at March 31, 2000 by Johnson Incorporated and was then extrapolated to March 31, 2002, taking into account significant changes to the Registered Plan since March 31, 2000. The 2000 valuation was determined using the projected benefit method based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This best estimate was, after consultation with the Registered Plan's actuary, approved by management.

The major assumptions used were:

	March 31	
	2002 Extrapolation %	2001 Extrapolation %
Asset real rate of return	3.5	3.5
Inflation rate	3.5	3.5
Investment return	7.0	7.0
Salary escalation rate	4.0	4.0
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

The following statement shows the principal components of the change in the value of accrued pension benefits.

	2002	2001
	($ thousands)	
Accrued pension benefits at beginning of year	$67,602	$65,881
Interest accrued on benefits	4,732	4,674
Net experience gains	(2,078)	(1,859)
Benefits earned	1,850	1,769
Net benefits paid	(3,027)	(2,863)
Accrued pension benefits at end of year	$69,079	$67,602

(b) Sensitivity of Changes in Major Assumptions

The Registered Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Registered Plan. The following is a summary of the sensitivities of the Registered Plan's surplus and current service cost to changes in assumptions used in the actuarial extrapolation at March 31, 2002:

		Sensitivities	
	Changes in Assumptions %	Decrease in Plan Surplus ($ millions)	Increase in Current Service Cost as % of Capped Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (3.9)	1.2%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(0.2)	0.0%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(8.5)	3.3%

* The current service cost as % of capped pensionable earnigns as determined by the 2000 valuation s 18.85%.

NOTE 8 ACTUARIAL SURPLUS

The actuarial surplus of the Registered Plan may be used to reduce the Province's contributions required, or returned to the Province by an order of the Lieutenant Governor in Council.

Any assets remaining in the Registered Plan after all benefits are paid on complete wind-up must be returned to the Province of Alberta.

NOTE 9 NET INVESTMENT INCOME (LOSS)

Net investment income (loss) is comprised of the following:

	2002	2001
	($ thousands)	
Interest income	$ 2,174	$ 2,946
Dividend income	753	477
Real estate income	222	205
Securities lending income	13	10
Net realized and unrealized losses on investments	(656)	(7,247)
Net loss on derivatives	(189)	(1,230)
Pooled funds management and associated custodial fees	(67)	(74)
	$ 2,250	$ (4,913)

The following is a summary of the Registered Plan's net investment income (loss) by type of investments:

	2002 ($ thousands)	2001
Deposits and Fixed Income Securities	$ 1,791	$ 3,694
Canadian Equities	525	(3,793)
Foreign Equities		
United States	188	(1,922)
Non-North American	(542)	(3,259)
Real Estate	288	367
	$ 2,250	$ (4,913)

NOTE 10 ADMINISTRATION EXPENSES

Administration expenses comprise $88,000 in investment management and $66,000 in general administration costs. These expenses were paid to Alberta Revenue and Alberta Pensions Administration Corporation respectively on a cost-recovery basis. Pooled funds management and associated custodial fees totalling $67,000 (2001 $74,000), which have been deducted from investment income of the pools, are excluded from administration expenses (see Note 9).

NOTE 11 BUDGET INFORMATION

The accrued benefits are based on management's best estimates of future events after consultation with the Registered Plan's actuary. Differences between actual results and management's expectations are disclosed as experience gains or losses in Note 7. Accordingly, a budget is not included in these financial statements.

NOTE 12 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with 2002 presentation.

NOTE 13 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by management.

Schedule A

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
SCHEDULE OF INVESTMENT RETURNS
MARCH 31, 2002

The Plan uses the time-weighted rate of return based on market values to measure performance. The measure involves the calculation of the return realized by the Plan over a specified period and is a measure of the total proceeds received from an investment dollar initially invested. Total proceeds include cash distributions (interest and dividend payments) and capital gains or losses (realized and unrealized).

The time-weighted rate of return measures the compounded rate of growth of the initial investment over the specified period. It is designed to eliminate the effect that the size and timing of cash flows have on the internal rate of return. The investment industry uses time-weighted rates of return calculated using market values when comparing the returns of funds with other funds or indices.

Investment returns and the relevant benchmarks for the Plan for the one-year and four-year periods ended March 31, 2002 are as follows:

	2002	2001	2000	1999	4 Year Compound Annualized Return
Time-weighted rates of return					
Short-term fixed income	3.9	5.7	5.1	5.0	4.9
Scotia Capital 91-Day T-Bill Index	*3.7*	*5.7*	*4.7*	*4.9*	*4.8*
Long-term fixed income	5.9	9.5	1.5	6.8	5.9
Scotia Capital Universe Bond Index	*5.1*	*8.7*	*1.3*	*7.0*	*5.5*
Canadian equities	3.7	(17.1)	43.5	(10.3)	2.6
Toronto Stock Exchange 300 Index	*4.9*	*(18.6)*	*45.5*	*(11.3)*	*2.5*
United States equities	2.1	(15.2)	12.6	27.0	5.5
Standard & Poor's 500 Index	*1.6*	*(15.1)*	*13.2*	*26.0*	*5.3*
Non-North American equities	(5.7)	(23.1)	39.5	13.6	3.5
MSCI EAFE Index	*(7.3)*	*(19.6)*	*20.1*	*12.8*	*0.2*
Real estate	7.2	9.7	5.8	8.8	7.9
Russell Canadian Property Index	9.0	11.9	9.9	15.6	11.6
Overall	3.3	(5.4)	19.4	4.0	4.9
Policy Benchmark	*3.1*	*(4.9)*	*17.1*	*4.5*	*4.7*

Schedule B

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES

MARCH 31, 2002

($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 3,815	$ 2,954
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	7,197	5,908
Provincial		
Alberta, direct and guaranteed	80	87
Other, direct and guaranteed	4,587	5,596
Municipal	379	356
Corporate, public and private	15,760	15,605
	28,003	27,552
Receivable from sale of investments and accrued investment income	612	553
Liabilities for investment purchases	(348)	(383)
	264	170
	$ 32,082	$ 30,676

(a) Fixed income securities held as at March 31, 2002 had an average effective market yield of 5.93% per annum (2001: 5.94% per annum). The following term structure of these securities as at March 31, 2002 is based on principal amount:

	2002	2001
	%	
under 1 year	7	6
1 to 5 years	32	34
6 to 10 years	30	28
11 to 20 years	12	16
over 20 years	19	16
	100	100

Schedule C

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
MARCH 31, 2002
($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 180	$ 172
Public Equities (a) (b)		
Communications and media	682	658
Conglomerates	233	623
Consumer products	808	870
Financial services	3,989	3,378
Gold and precious minerals	599	357
Industrial products	2,414	3,443
Merchandising	605	373
Metals and minerals	736	531
Oil and gas	1,820	1,912
Paper and forest products	332	352
Pipelines	257	273
Real estate and construction	116	126
Transportation and environmental services	454	180
Utilities	889	958
	13,934	14,034
Passive index	187	331
	14,121	14,365
Private Equities	209	300
Receivable from sale of investments and accrued investment income	119	146
Liabilities for investment purchases	(40)	(377)
	79	(231)
	$ 14,589	$ 14,606

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $2,955,000 (2001 $2,960,000), which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule D

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
MARCH 31, 2002

($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 71	$ 99
Public Equities (a) (b)		
Consumer discretionary	1,458	1,478
Consumer staples	1,019	908
Energy	737	848
Financial	1,896	2,164
Health Care	1,323	1,481
Industrials	1,189	1,130
Information Technology	1,704	1,640
Telecommunication services	381	754
Materials	369	307
Utilities	403	621
	10,479	11,331
Passive index	2	-
	10,481	11,331
Receivable from sale of investments and accrued investment income	134	516
Liabilities for investment purchases	(53)	(194)
	81	322
	$ 10,633	$ 11,752

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $2,347,000 (2001 $1,787,000), which are used as underlying securities to support the notional amount of US equity index swaps and futures contracts.

(b) The industrial classifications are those used by the Standard & Poor's indices.

Schedule E

PROVINCIAL JUDGES AND MASTERS IN CHAMBERS (REGISTERED) PENSION PLAN

SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES

MARCH 31, 2002

($ thousands)

	Plan's Share	
	2002	2001
Deposits and short-term securities	$ 168	$ 206
Public Equities (a)		
Country		
United Kingdom	2,620	2,442
Japan	1,805	2,424
France	1,177	1,117
Switzerland	849	689
Netherlands	846	800
Germany	695	947
Australia	427	333
Italy	351	474
Hong Kong	301	372
Spain	275	435
Finland	200	200
Sweden	178	366
Other	754	699
	10,478	11,298
Receivable from sale of investments and accrued investment income	205	253
Liabilities for investment purchases	(186)	(316)
	19	(63)
	$ 10,665	$ 11,441

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes totalling $671,000 (2001 $817,000), which are used as underlying securities to support the notional amount of Non-North American equity index swaps.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report
Statement of Accrued Benefits and Net Assets Available for Benefits
Statement of Changes in Net Assets Available for Benefits
Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the statement of accrued benefits and net assets available for benefits of the Public Service Management (Closed Membership) Pension Plan as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 7, 2002

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF ACCRUED BENEFITS AND NET ASSETS AVAILABLE FOR BENEFITS
AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Accrued Benefits		
Actuarial value of accrued pension benefits (Note 6)	$ 633,268	$ 644,664
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents (Note 3)	3,055	3,385
Accounts receivable	57	3
	3,112	3,388
Liabilities		
Accounts payable (Note 4)	3	8
Net assets available for benefits	3,109	3,380
Excess of actuarial value of accrued pension benefits over net assets	$ 630,159	$ 641,284

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Contributions from the Province of Alberta (Note 1(b))	$ 55,902	$ 53,500
Investment income	120	188
	56,022	53,688
Decrease in assets		
Pension benefits	56,100	55,881
Administration expenses (Note 5)	193	149
Refunds to members	-	20
	56,293	56,050
Decrease in net assets	(271)	(2,362)
Net assets available for benefits at beginning of year	3,380	5,742
Net assets available for benefits at end of year	$ 3,109	$ 3,380

See accompanying notes.

PUBLIC SERVICE MANAGEMENT (CLOSED MEMBERSHIP) PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Management (Closed Membership) Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000.

(a) General

The Plan is a defined benefit pension plan for eligible retired management employees of the Province of Alberta and certain provincial agencies and public bodies. Members of the former Public Service Management Pension Plan who were retired or were entitled to receive deferred pensions or had attained 35 years of service before August 1, 1992 continue as members of this Plan.

(b) Funding Policy

The Plan is funded by investment income and money appropriated to the Plan, if any, by the Legislative Assembly.

The Plan's actuary performs an actuarial valuation of the Plan at least once every three years.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the highest five consecutive years. The maximum service allowable under the Plan is 35 years.

Members are entitled to receive a pension if they terminated before August 1, 1992 and attained age 55 with at least five years of service. In addition, those members who had achieved 35 years of service at August 1, 1992 and subsequently terminated are also entitled to a pension.

(d) Guarantee

The Province of Alberta guarantees payment of all benefits arising under the Plan. After all assets in the Plan are exhausted, the Province of Alberta pays all benefits under the Plan and the plan costs.

(e) Cost-of-Living Adjustments

Pensions payable by the Plan are increased each year by an amount equal to at least 60 percent of the increase in the Alberta Consumer Price Index.

(f) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act, and is not subject to income taxes. The Plan's registration number is 1006923.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles (see Note 1 (d)). The statements provide information about the net assets available in the Plan to meet future benefit payments, and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

(b) Valuation of Assets and Liabilities

Short-term securities included in cash and cash equivalents are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum) and an average duration of 80.3 days (2000: 87.6 days).

NOTE 4 ACCOUNTS PAYABLE

	2001	2000
	($ thousands)	
Benefits and refunds	$ 3	$ 8

NOTE 5 ADMINISTRATION EXPENSES

	2001	2000
	($ thousands)	
General administration costs	$ 176	$ 133
Investment management costs	15	13
Actuarial fees	2	3
	$ 193	$ 149

General administration costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Revenue, and do not include custodial fees, which have been deducted in arriving at investment income.

Total administration expenses amounted to $72 per member (2000 $55 per member).

NOTE 6 ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 1999 by Aon Consulting Inc. and was then extrapolated to 2001. The 1999 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Management Employees Pension Board approved this best estimate.

The major assumptions used in the extrapolation were the same as those used in the 1999 valuation as follows:

	December 31,	
	2001 Extrapolation %	2000 Extrapolation %
Asset real rate of return	4.25	4.25
Inflation rate	3.0	3.0
Investment rate of return	7.25	7.25
Pension cost-of-living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

The following statement shows the principal components of the change in the value of accrued benefits.

	2001	2000
	($ thousands)	
Actuarial value of accrued pension benefits at beginning of year	$ 644,664	$ 655,623
Interest accrued on benefits	44,704	45,506
Net benefits paid	(56,100)	(55,901)
Net experience gains	-	(564)
Actuarial value of accrued pension benefits at end of the year	$ 633,268	$ 644,664

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains and losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

	Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ million)
Inflation rate increase holding the nominal investment return assumption constant	1.0%	$ 33
Investment rate of return decrease holding the inflation rate assumption constant	(1.0%)	57

NOTE 7 BUDGET INFORMATION

The accrued benefits are based on the Management Employees Pension Board's best estimate of future events. Differences between actual results and management's expectations are disclosed as net experience gains and losses in Note 6. Accordingly, a budget is not included in these financial statements.

NOTE 8 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

PUBLIC SERVICE PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report
Statement of Net Assets Available for Benefits and Liability for Accrued Benefits
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Statement of Changes in Liability for Accrued Benefits
Statement of Changes in Actuarial Surplus
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Schedule of Investments in Fixed Income Securities
Schedule of Investments in Canadian Equities
Schedule of Investments in United States Equities
Schedule of Investments in Non-North American Equities

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Public Service Pension Board

I have audited the statement of net assets available for benefits and liability for accrued benefits of the Public Service Pension Plan as at December 31, 2001 and the statements of changes in net assets available for benefits, changes in liability for accrued benefits and changes in actuarial surplus for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 14, 2002

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND LIABILITY FOR ACCRUED BENEFITS AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$3,826,112	$4,044,661
Accounts receivable (Note 6)	12,777	9,547
Accrued investment income	693	-
	3,839,582	4,054,208
Liabilities		
Accounts payable	3,095	1,524
Net assets available for benefits	3,836,487	4,052,684
Actuarial adjustment for fluctuation in fair value of net assets (Note 2 (c))	329,000	(70,600)
Actuarial value of net assets available for benefits	4,165,487	3,982,084
Liability for Accrued Benefits		
Actuarial value of accrued benefits (Note 7)	3,845,000	3,347,000
Actuarial surplus	$ 320,487	$ 635,084

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Contributions		
Current and optional service		
Employers	$ 64,433	$ 58,851
Employees	66,026	59,864
Transfers from other plans	5,553	3,964
	136,012	122,679
Investment income (Note 8)	-	263,443
	136,012	386,122
Decrease in assets		
Investment loss (Note 8)	177,681	-
Pension benefits	151,031	144,705
Refunds to members	17,608	18,880
Transfers to other plans	1,414	2,473
Group transfer	-	289,286
Administration expenses (Note 9)	4,475	3,714
	352,209	459,058
Decrease in net assets	(216,197)	(72,936)
Net assets available for benefits at beginning of year	4,052,684	4,125,620
Net assets available for benefits at end of year	$3,836,487	$4,052,684

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN LIABILITY FOR ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in liability for accrued benefits		
Interest accrued on benefits	$ 261,000	$ 235,000
Benefits earned	134,000	122,000
Changes in actuarial assumptions (Note 7 (a))	137,000	-
Experience loss (Note 7 (a))	136,000	-
	668,000	357,000
Decrease in liability for accrued benefits		
Benefits paid	170,000	166,000
Group transfer	-	250,000
	170,000	416,000
Net increase (decrease) in liability for accrued benefits	498,000	(59,000)
Liability for accrued benefits at beginning of year	3,347,000	3,406,000
Liability for accrued benefits at end of year (Note 7)	$ 3,845,000	$ 3,347,000

See accompanying notes and schedules.

PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Actuarial surplus at beginning of year	$ 635,084	$ 517,020
Decrease in net assets available for benefits	(216,197)	(72,936)
Net change in actuarial adjustment for fluctuation in fair value of net assets	399,600	132,000
Net decrease (increase) in liability for accrued benefits	(498,000)	59,000
Actuarial surplus at end of year	$ 320,487	$ 635,084

See accompanying notes and schedules

PUBLIC SERVICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Public Service Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 368/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for eligible employees of the Province of Alberta, approved provincial agencies and public bodies.

(b) Funding Policy

Current service costs are funded equally by employers and employees at rates, which are expected to provide for all benefits payable under the Plan. There were no changes in rates for 2001. The rates in effect at December 31, 2001 were 4.675% of pensionable salary up to the Canada Pension Plan's Year's Maximum Pensionable Earnings (YMPE) and 6.55% of the excess. The rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

(c) Retirement Benefits

The Plan provides a pension of 1.4% for each year of pensionable service based on average salary of the highest five consecutive years up to the YMPE and 2.0% on the excess. The maximum service allowable under the Plan is 35 years. Pensions are payable to members who retire with at least two years of service and either have attained age 65, or have attained age 55 and the sum of their age and years of service equals 85. Reduced pensions are payable to members at age 55 or older retiring early with a minimum of two years of service.

(d) Termination Benefits

Members who terminate with at least two years of service and are not immediately entitled to a pension may receive the commuted value for all service plus excess contributions if applicable, which is subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than two years of service receive a refund of their contributions and interest.

(e) Disability Benefits

Unreduced pensions are payable to members who become totally disabled and have at least two years of service. Reduced pensions are payable to members who become partially disabled and have at least two years of service.

(f) Death Benefits

Death benefits are payable on the death of a member. If the member has at least two years of service, a surviving spouse may choose to receive a survivor pension. For a beneficiary other than a spouse or where service is less than two years, a lump sum payment must be chosen.

(g) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(h) Cost-of-Living Adjustments

Pensions payable are increased each year by an amount equal to at least 60% of the increase in the Alberta Consumer Price Index (CPI). An additional increase of 10% of CPI has been approved only for 2002.

(i) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act and the Plan is not subject to income taxes. The Plan's registration number is 0208769.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist Plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31 was as follows:

	% Ownership	
	2001	2000
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	11.0	16.7
Canadian Pooled Equities Fund	11.6	10.7
Domestic Passive Equity Pooled Fund	10.4	19.1
EAFE Structured Equity Pooled Fund	38.9	31.4
Private Mortgage Pool	12.9	17.0
Private Real Estate Pool	13.0	10.7
US Passive Equity Pooled Fund	28.9	15.5
United States Pooled Equities Fund	15.9	15.9
Floating Rate Note Pool	-	1.0
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	8.1	11.0
Canadian Small Cap Equity Pool	15.1	9.4
EAFE Core Equity Pool	15.5	14.9
EAFE Passive Equity Pool	1.7	8.3
EAFE Plus Equity Pool	15.4	14.2
US Large Cap Equity Pool	17.3	14.8
US Passive Equity Pooled Fund	0.3	14.9
US Mid/Small Cap Equity Pool	15.3	14.8

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by management.

Real estate investments are reported at their most recent appraised value net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To reduce the impact of market volatility on the Plan's funded status, asset values are adjusted for fluctuations in fair value. Assets for the previous two years are projected to increase at the rate of return assumed in the actuarial valuation. The actuarial value of assets is determined by averaging three years' values, consisting of current market value and asset values projected from the year-end market values for the two previous years.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

Equity and bond index swaps are valued based on changes in the appropriate market index net of accrued floating rate interest.

Interest rate swaps are valued based on discounted cash flows using current market yields.

Forward foreign exchange contracts and equity index future contracts are based on quoted market prices.

The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

	2001 ($ thousands)	%	2000 ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 61,481	1.6	$ 89,165	2.2
Canadian Dollar Public Bond Pool (b)	926,422	24.2	1,474,986	36.5
Real Rate of Return Bonds (c)	214,264	5.6	-	-
Private Mortgage Pool (d)	118,586	3.1	164,638	4.1
Floating Rate Note Pool	-	-	19,558	0.5
Total fixed income securities	1,320,753	34.5	1,748,347	43.3
Canadian Equities (Schedule B)				
Domestic Passive Equity Pooled Fund (e)	280,743	7.3	433,018	10.7
Canadian Pooled Equities Fund (f)	253,798	6.6	262,324	6.5
External Managers				
Canadian Large Cap Equity Pool (g)	141,334	3.7	131,684	3.2
Canadian Small Cap Equity Pool (h)	63,970	1.7	45,098	1.1
	739,845	19.3	872,124	21.5
United States Equities (Schedule C)				
External Managers				
US Large Cap Equity Pool (i)	386,603	10.1	261,318	6.4
US Mid/Small Cap Equity Pool (j)	49,337	1.3	37,272	0.9
US Passive Equity Pool (k)	4,258	0.1	168,601	4.2
US Passive Equity Pooled Fund (k)	347,882	9.1	156,352	3.9
United States Pooled Equities Fund	531	-	592	-
	788,611	20.6	624,135	15.4
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (l)	395,995	10.4	291,725	7.2
EAFE Plus Equity Pool (l)	200,728	5.2	128,788	3.2
EAFE Passive Equity Pool (m)	14,921	0.4	91,644	2.3
Emerging Markets Equity Pool	2	-	7	-
EAFE Structured Equity Pooled Fund (n)	152,742	4.0	145,585	3.6
	764,388	20.0	657,749	16.3
Equities in Real Estate				
Private Real Estate Pool (o)	212,515	5.6	142,306	3.5
Total equities	2,505,359	65.5	2,296,314	56.7
Total investments	$ 3,826,112	100.0	$ 4,044,661	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 5.34% per annum (2000: 6.07% per annum) and the following term structure based on principal amount: under 1 year 4% (2000: 6%); 1 to 5 years 35% (2000: 37%); 6 to 10 years 31% (2000: 28%); 11 to 20 years 12% (2000: 15%); over 20 years 18% (2000: 14%).

(c) Real rate of return bonds are issued or guaranteed by the Government of Canada and bear interest at a fixed rate adjusted for inflation. As at December 31, 2001, the bonds have an effective market yield of 3.77% per annum and the following term structure based on principal amount: 10 to 20 years 35%; over 20 years 65%.

(d) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2001, mortgages held by the pool have an average effective market yield of 6.47 % per annum (2000: 7.27% per annum) and the following term structure based on principal amount: under 1 year 15% (2000: 8%); 1 to 5 years 17 % (2000: 27%); 6 to 10 years 22% (2000: 28%); 11 to 20 years 26% (2000: 23%); and over 20 years 20% (2000: 14%).

(e) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(f) The Canadian Pooled Equities Fund is managed with the objective of providing competitive returns comparable to the total return of the TSE 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(g) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide investment returns higher than the total return of the TSE 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(h) The External Managers Canadian Small Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. Each portfolio is actively managed by an external manager with expertise in the Canadian small cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 Index over a four-year period and returns higher than the Nesbitt Burns Small Cap Index over the near term. Return volatility is reduced through multiple manager investment style and small market capitalization focus.

(i) The External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap equity market. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S & P) 500 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(j) The External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the mid and small cap US equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 Index over a four-year period.

(k) The External Managers US Passive Equity Pool consists of a single portfolio of publicly traded United States equities similar in weights to the S & P 500 Index. The portfolio is passively managed by an external manager with expertise in the US equity market. The performance objective is to provide investment returns comparable to the total return of the S & P 500 Index over a four-year period.

The US Passive Equity Pooled Fund is managed internally with the objective of attaining investment returns comparable to the S & P 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments.

(l) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(m) The External Managers EAFE Passive Equity Pool consists of a single portfolio of non-North American publicly traded equities that replicate the MSCI EAFE index. The performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four- year period.

(n) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is internally managed with the objective of providing investment returns comparable to the total return of the MSCI EAFE Index. The Pool provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The Pooled Fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(o) The Private Real Estate Pool is managed with the objective of providing investment returns higher than those attainable from the Russell Canadian Property Index over a four-year period or longer. Real estate is held through intermediary companies which have issued to the Pool, common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a target policy asset mix of 35% fixed income instruments and 65% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and net fair value of derivative contracts held by pooled funds at December 31, 2001:

	2001		2000	
	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
		($ thousands)		
Equity index swap contracts	$ 592,618	$ 21,096	$ 500,198	$ (11,137)
Bond index swap contracts	25,778	12	117,670	737
Interest rate swap contracts	155,007	(6,586)	137,427	(2,396)
Forward foreign exchange contracts	528,358	(1,609)	74,643	66
Equity index futures contracts	20,208	724	686	3
	1,321,969	$ 13,637	830,624	$ (12,727)
Cross-currency interest rate swap contracts (b)	377,329		396,757	
	$ 1,699,298		$ 1,227,381	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001 the combined value of cross-currency interest rate swaps and underlying securities amounted to $379,211,000 (2000 $400,384,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $193,963,000 (2000 $334,199,000) that mature between one and three years and $95,352,000 (2000 $148,323,000) that mature over three years.

NOTE 6 ACCOUNTS RECEIVABLE

	2001	2000
	($ thousands)	
Contributions receivable		
Employers	$ 6,454	$ 4,936
Employees	6,038	4,611
Other receivables	285	-
	$ 12,777	$ 9,547

NOTE 7 ACTUARIAL VALUE OF ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by Buck Consultants Limited and was then extrapolated to December 31, 2001. The 2000 valuation was completed after the financial statements of the Plan for 2000 were released. As a result, the differences between the actuarial valuation results and extrapolation results used in the 2000 financial statements are accounted for as changes in actuarial assumptions and experience losses in 2001.

The valuation as at December 31, 2000 was determined using the projected benefit method, based on service. The assumptions used in the valuation and extrapolation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Public Service Pension Board.

The major assumptions used were:

	December 31	
	2001 Extrapolation %	2000 Valuation %
Investment return	7.25	7.25
Inflation rate	3.25	3.25
Salary escalation rate*	3.75	3.75
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from these assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's surplus and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

		Sensitivities	
	Changes in Assumptions %	Decrease in Plan Surplus ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ (254)	0.63%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	(167)	0.84%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	(598)	2.19%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 10.12%.

NOTE 8 INVESTMENT (LOSS) INCOME

Investment (loss) income is comprised of the following:

	2001	2000
	($ thousands)	
Net realized and unrealized (losses) gains on investments	$ (228,520)	$ 77,606
Derivative (loss) income	(103,374)	13,947
Interest income	110,708	146,477
Dividend income	36,602	20,532
Real estate income	10,578	7,717
Securities lending income	820	456
Pooled funds management and associated custodial fees	(4,495)	(3,292)
	$ (177,681)	$ 263,443

The following is a summary of the Plan's proportionate share of investment (loss) income by types of investments:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 92,507	$ 185,736
Canadian Equities	(88,562)	180,010
Foreign Equities		
United States	(64,582)	(33,971)
Non-North American	(131,311)	(78,484)
Equities in Real Estate	14,267	10,152
	$ (177,681)	$ 263,443

NOTE 9 ADMINISTRATION EXPENSES

	2001	2000
	($ thousands)	
General administration costs	$ 3,696	$ 2,839
Investment management costs	430	442
Board costs	173	159
Actuarial fees	147	251
Other professional fees	29	23
	$ 4,475	$ 3,714

General administration and Board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Revenue and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment income.

In 2001, total administration expenses of $4,475,000 amounted to $75 per member (2000 $65 per member).

NOTE 10 COMPARATIVE FIGURES

Comparative figures have been restated to be consistent with the 2001 presentation.

NOTE 11 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were approved by the Public Service Pension Board.

Schedule A

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 70,073	$ 115,816
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	453,404	380,178
Provincial		
Alberta, direct and guaranteed	3,240	4,953
Other, direct and guaranteed	214,888	320,681
Municipal	15,982	20,548
Corporate	320,185	547,258
Private		
Corporate	232,729	338,815
	1,240,428	1,612,433
Receivable from sale of investments and accrued investment income	11,175	20,637
Liabilities for investment purchases	(923)	(539)
	(871)	(871)
	10,252	20,098
	$ 1,320,753	$ 1,748,347

(a) Fixed income securities held as at December 31, 2001 had an average effective market yield of 5.18% per annum (2000: 6.19% per annum). The following term structure of these securities as at December 31, 2001 is based on principal amount:

	2001	2000
	%	
under 1 year	4	6
1 to 5 years	28	36
6 to 10 years	25	28
11 to 20 years	17	16
over 20 years	26	14
	100	100

Schedule B

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 12,648	$ 6,702
Public Equities (a) (b)		
Communications and media	38,089	40,649
Conglomerates	11,480	30,350
Consumer products	39,697	40,873
Financial services	195,465	143,137
Gold and precious minerals	23,819	22,633
Industrial products	144,408	278,574
Merchandising	26,789	24,245
Metals and minerals	34,342	30,520
Oil and gas	86,517	104,820
Paper and forest products	18,316	20,649
Pipelines	15,818	62,855
Real estate and construction	6,054	10,399
Transportation and environmental services	21,781	9,387
Utilities	50,709	45,070
	713,284	864,161
Passive index	9,013	5,641
	722,297	869,802
Receivable from sale of investments and accrued investment income	8,989	3,231
Liabilities for investment purchases	(4,089)	(7,611)
	4,900	(4,380)
	$ 739,845	$ 872,124

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $124,064,000 (2000 $192,147,000) which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule C

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 4,007	$ 378
Public Equities (a) (b)		
Basic materials	33,402	25,237
Commercial services	21,533	15,525
Consumer cyclical	54,906	38,261
Consumer non-cyclical	61,345	44,390
Consumer services	47,026	32,991
Energy	53,572	41,952
Financial	149,799	125,424
Health Care	114,765	86,849
Industrials	30,211	23,106
Technology	151,422	134,457
Telecommunications	36,992	28,637
Transport	4,155	5,413
Utilities	16,015	24,805
	775,143	627,047
Receivable from sale of investments and accrued investment income	11,329	2,231
Liabilities for investment purchases	(1,868)	(5,521)
	9,461	(3,290)
	$ 788,611	$ 624,135

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $337,081,000 (2000 $159,456,000), which were used as underlying securities to support the notional amount of US equity index swaps contracts and futures contracts.

(b) The industrial classifications are those used by the Standard & Poor's indices.

Schedule D

PUBLIC SERVICE PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 20,002	$ 6,223
Public Equities (a)		
Country		
United Kingdom	185,898	140,816
Japan	121,918	143,124
France	84,209	71,222
Netherlands	55,224	44,270
Switzerland	53,218	47,991
Germany	50,890	54,622
Australia	28,265	21,171
Hong Kong	28,164	22,272
Italy	25,958	26,490
Spain	22,632	17,727
Sweden	13,945	20,536
Finland	13,406	16,114
Other	53,261	26,732
	736,988	653,087
Receivable from sale of investments and accrued investment income	13,160	3,316
Liabilities for investment purchases	(5,762)	(4,877)
	7,398	(1,561)
	$ 764,388	$ 657,749

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $146,127,000 (2000 $148,595,000), which were used as underlying securities to support the notional amount of Non-North American equity index swaps contracts.

SPECIAL FORCES PENSION PLAN
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Special Forces Pension Board

I have audited the statement of net assets available for benefits and accrued benefits of the Special Forces Pension Plan as at December 31, 2001, and the statements of changes in net assets available for benefits, changes in accrued benefits and changes in actuarial deficiency for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
May 10, 2002

SPECIAL FORCES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS
AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Net Assets Available for Benefits		
Assets		
Investments (Note 3)	$1,010,672	$1,042,371
Accounts receivable (Note 6)	1,792	1,512
	1,012,464	1,043,883
Liabilities		
Accounts payable (Note 7)	8	65
Net assets available for benefits	1,012,456	1,043,818
Actuarial adjustment for fluctuation in fair value of net assets	25,188	(47,200)
Actuarial value of net assets available for benefits	$1,037,644	$ 996,618
Accrued Benefits		
Actuarial value of accrued benefits (Note 8)		
Plan Fund	$1,098,927	$1,037,000
Indexing Fund	7,245	4,763
	$1,106,172	$1,041,763
Actuarial Deficiency (Note 8)		
Plan Fund *	$ (68,528)	$ (45,145)
Indexing Fund	-	-
	$ (68,528)	$ (45,145)

* The actuarial deficiency of the Plan Fund is comprised of a pre-1992 deficiency of $64,537,000 (2000 deficiency of $52,500,000) and a post-1991 deficiency of $3,991,000 (2000 actuarial surplus of $7,355,000).

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	Plan Fund	Indexing Fund	2001	2000
Increase in assets				
Contributions (Note 9)	$ 32,223	$ 2,559	$ 34,782	$ 31,310
Net investment income (Note 10)	-	-	-	73,808
	32,223	2,559	34,782	105,118
Decrease in assets				
Pension benefits	38,865	-	38,865	36,427
Net investment loss (Note 10)	25,774	77	25,851	-
Refunds and transfers	631	-	631	658
Administration expenses (Note 11)	797	-	797	658
	66,067	77	66,144	37,743
(Decrease) Increase in net assets	(33,844)	2,482	(31,362)	67,375
Net assets available for benefits at beginning of year	1,039,055	4,763	1,043,818	976,443
Net assets available for benefits at end of year	$1,005,211	$ 7,245	$1,012,456	$1,043,818

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN ACCRUED BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001			
	Pre-1992	Post-1991	Total	2000
Increase in accrued benefits				
Interest accrued on benefits	$ 49,984	$ 22,177	$ 72,161	$ 67,000
Benefits earned	111	29,151	29,262	24,600
Changes in actuarial assumptions (Note 8)	-	-	-	88,600
Experience gains	-	-	-	3,654
Cost-of-living indexing adjustments and interest	-	2,482	2,482	2,518
	50,095	53,810	103,905	186,372
Decrease in accrued benefits				
Benefits, transfers and interest	35,158	4,338	39,496	38,500
Net increase in accrued benefits	14,937	49,472	64,409	147,872
Accrued benefits at beginning of year	730,600	311,163	1,041,763	893,891
Accrued benefits at end of year (Note 8)	$745,537	$360,635	$1,106,172	$1,041,763

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN
STATEMENT OF CHANGES IN ACTUARIAL DEFICIENCY
FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001			
	Pre-1992	Post-1991	Total	2000
Actuarial (Deficiency) Surplus at beginning of year	$(52,500)	$ 7,355	$(45,145)	$ 20,852
(Decrease) Increase in net assets available for benefits	(47,567)	16,205	(31,362)	67,375
Net change in actuarial adjustment for fluctuations in fair value of net assets	50,467	21,921	72,388	14,500
Net increase in accrued benefits	(14,937)	(49,472)	(64,409)	(147,872)
Actuarial (Deficiency) at end of year	$(64,537)	$ (3,991)	$(68,528)	$(45,145)

See accompanying notes and schedules.

SPECIAL FORCES PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Special Forces Pension Plan (the Plan) is a summary only. For a complete description of the Plan, reference should be made to the Public Sector Pension Plans Act, Chapter P-41, Revised Statutes of Alberta 2000 and Alberta Regulation 369/93, as amended.

(a) General

The Plan is a contributory defined benefit pension plan for police officers employed by participating local authorities in Alberta.

(b) Funding Policy

Plan Fund

Current service costs are funded by employers and employees at rates which are expected to provide for all benefits payable under the Plan. The rates in effect at December 31, 2001 were unchanged at 8.30% of pensionable salary for employers and 7.20% for employees. Rates are to be reviewed at least once every three years by the Special Forces Pension Board (the Board) based on recommendations of the Plan's actuary.

The unfunded liability for service prior to December 31, 1991 as determined by actuarial valuation is being financed by additional contributions from the Province of Alberta, employers and employees. Additional contributions are payable until December 31, 2036 unless the unfunded liability has been previously eliminated. The rates in effect at December 31, 2001 were 1.25% of pensionable salary for the Province of Alberta, and 0.75% each for employers and employees.

Indexing Fund

Benefit payments are funded by post-1991 cost-of-living adjustment (COLA) (see Note 1(i)) contributions from employers and employees at rates that are expected to meet or exceed the funding or solvency requirements of the Plan. The rates in effect at December 31, 2001 were 0.75% of pensionable salary each for employers and employees. Rates are to be reviewed at least once every three years by the Board based on recommendations of the Plan's actuary.

Subject to the *Employment Pension Plans Act*, the Indexing Fund may receive surpluses of the Plan Fund respecting service after 1991.

(c) Retirement Benefits

The Plan provides for a pension of 2.0% for each year of pensionable service based on the average salary of the five highest consecutive years. The maximum service allowable under the Plan is 35 years. Members are entitled to a pension if they have at least 25 years of service or have at least five years of service and attained age 55. Pensions will be reduced at the age of 65.

(d) Disability Benefits

Pensions are payable to members who become totally disabled and retire early with at least five years of service. Reduced pensions are payable to members who become partially disabled and retire early with at least five years of service.

(e) Death Benefits

Death benefits are payable on the death of a member if the member had at least five years of service. Benefits may take the form of a survivor pension, if the beneficiary is a spouse or a dependent minor child, or a lump sum payment. A surviving spouse or the beneficiary of a deceased member with less than five years of service is entitled to receive death benefits in the form of a lump sum payment.

(f) Termination Benefits

Members who terminate with at least five years of service and who are not immediately entitled to a pension may receive a refund of contributions and interest on service prior to 1992 and the commuted value for service after 1991, subject to lock-in provisions. Alternatively, they may elect to receive a deferred pension. Members who terminate with less than five years of service receive a refund of contributions and interest.

(g) Guarantee

Payment of all benefits arising from service before 1994, excluding post-1991 COLA benefits on 1992 and 1993 service (see Note 1 (i)), is guaranteed by the Province of Alberta.

(h) Optional Service and Transfers

All optional service purchases are to be cost-neutral to the Plan.

Reciprocal agreements provide that transferred-in service be on an actuarial reserve basis and transfers-out receive the greater of the termination benefits or commuted value for all service.

(i) Cost-of-Living Adjustments (COLA)

Pensions payable by the Plan Fund are increased each year by 60% of the increase in the Alberta Consumer Price Index for service before 1992. Cost-of-living adjustments for service after 1991 are payable by the Indexing Fund at rates determined by the Board.

(j) Income Taxes

The Plan is a registered pension plan as defined in the Income Tax Act and is not subject to income taxes. The Plan's registration number is 0584375.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

Plan investments are held in pooled investment funds administered by Alberta Revenue. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units.

The Plan's respective percentage ownership in pooled investment funds at December 31, 2001 is as follows:

	% Ownership	
	2001	2000
Internally Managed Pooled Investment Funds		
Canadian Dollar Public Bond Pool	3.7	3.8
Canadian Pooled Equities Fund	4.2	3.9
Domestic Passive Equity Pooled Fund	4.0	1.5
EAFE Structured Equity Pooled Fund	1.7	3.7
Private Equity Pool	6.4	6.4
Private Mortgage Pool	4.4	3.7
Private Real Estate Pool	3.0	3.4
US Passive Equity Pooled Fund	3.6	6.8
United States Pooled Equities Fund	4.5	4.5
Canadian Equity Index (excluding Nortel) Pooled Fund	-	32.0
Floating Rate Note Pool	-	0.1
Externally Managed Pooled Investment Funds		
Canadian Large Cap Equity Pool	2.2	2.9
Canadian Small Cap Equity Pool	6.3	5.2
EAFE Core Equity Pool	2.8	2.6
EAFE Passive Equity Pool	5.1	5.3
EAFE Plus Equity Pool	2.8	4.1
US Large Cap Equity Pool	2.5	2.7
US Passive Equity Pooled Fund	4.1	3.2
US Mid/Small Cap Equity Pool	2.6	2.7

(b) Valuation of Assets and Liabilities

Investments are stated at fair value. The methods used to determine the fair value of investments held either by the Plan or by pooled investment funds are explained in the following paragraphs:

Short-term securities, public fixed income securities and equities are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Private fixed income securities and mortgages are valued based on the net present value of future cash flows. These cash flows are discounted using Government of Canada bond rates adjusted for a risk premium estimated by Alberta Revenue.

The fair value of private equities is estimated by Alberta Revenue.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised annually by qualified external real estate appraisers.

The fair values of deposits, receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Actuarial Value of Net Assets Available for Benefits

To moderate the effects of market volatility on investment value, annual net realized and unrealized gains and losses excluding those arising from derivative transactions are amortized equally over three years commencing at the beginning of the current year.

(d) Income Recognition

Dividends are accrued on the ex-dividend date. Income from other investments is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

(e) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of investment income.

(f) Valuation of Derivative Contracts

Derivative contracts (see Note 5) include equity and bond index swaps, interest rate swaps, forward foreign exchange contracts, equity index futures contracts and cross-currency interest rate swaps. The value of derivative contracts is included in the fair value of pooled investment funds. The estimated amount receivable or payable from derivative contracts at the reporting date is determined by the following methods:

> Equity and bond index swaps are valued based on changes in the appropriate market based index net of accrued floating rate interest.
>
> Interest rate swaps are valued based on discounted cash flows using current market yields.
>
> Forward foreign exchange contracts and equity index futures contracts are based on quoted market prices.
>
> The value of cross-currency interest rate swaps is included with the value of the underlying security. Cross-currency fixed to fixed interest rate swaps are valued at quoted prices based on discounted cash flows using current market yields. Cross-currency fixed to floating interest rate swaps are valued at the principal amount plus accrued interest.

Income and expense from derivative contracts are accrued as earned and included in investment income. Gains and losses on forward foreign exchange contracts are recognized concurrently with changes in fair value.

NOTE 3 INVESTMENTS (SCHEDULES A TO D)

	2001 ($ thousands)	%	2000 ($ thousands)	%
Fixed Income Securities (Schedule A)				
Deposit in the Consolidated Cash Investment Trust Fund (a)	$ 12,179	1.2	$ 15,985	1.5
Canadian Dollar Public Bond Pool (b)	314,066	31.1	331,840	31.8
Private Mortgage Pool (c)	41,079	4.1	36,166	3.5
Floating Rate Note Pool			2,294	0.2
Total fixed income securities	367,324	36.4	386,285	37.0
Canadian Equities (Schedule B)				
Domestic Passive Equity Pooled Fund (d)	106,925	10.6	33,290	3.2
Canadian Pooled Equities Fund (e)	92,237	9.1	95,878	9.2
External Managers				
Canadian Large Cap Equity Pool (f)	38,700	3.8	34,476	3.3
Canadian Small Cap Equity Pool (g)	26,747	2.6	25,046	2.4
Private Equity Pool (h)	3,894	0.4	5,097	0.5
Canadian Equity Index (excluding Nortel) Pooled Fund	-	-	94,724	9.1
	268,503	26.5	288,511	27.7
United States Equities (Schedule C)				
External Managers				
US Large Cap Equity Pool (i)	56,204	5.5	47,572	4.6
US Passive Equity Pool (j)	57,669	5.7	36,347	3.5
US Mid/Small Cap Equity Pool (k)	8,296	0.8	6,762	0.6
US Passive Equity Pooled Fund (j)	43,085	4.3	69,041	6.6
United States Pooled Equities Fund	149	-	166	-
	165,403	16.3	159,888	15.3
Non-North American Equities (Schedule D)				
External Managers				
EAFE Core Equity Pool (l)	71,504	7.1	50,426	4.8
EAFE Plus Equity Pool (l)	36,333	3.6	37,089	3.6
EAFE Passive Equity Pool (m)	45,118	4.5	58,533	5.6
EAFE Structured Equity Pooled Fund (n)	6,732	0.7	17,104	1.7
	159,687	15.9	163,152	15.7
Equities in Real Estate				
Private Real Estate Pool (o)	49,755	4.9	44,535	4.3
Total equities	643,348	63.6	656,086	63.0
Total investments	$ 1,010,672	100.0	$ 1,042,371	100.0

(a) The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum).

(b) The Canadian Dollar Public Bond Pool is managed with the objective of providing competitive returns comparable to the total return of the Scotia Capital Universe Bond Index over a four-year period while maintaining adequate security and liquidity of participants' capital. The portfolio is comprised of high quality Canadian fixed income instruments and debt related derivatives. Competitive returns are achieved through management of the portfolio duration and sector rotation. As at December 31, 2001, securities held by the Pool have an average effective market yield of 5.34% per annum (2000: 6.07% per annum) and the following term structure based on principal amount: under 1 year 4% (2000: 6%); 1 to 5 years 35% (2000: 37%); 6 to 10 years 31% (2000: 28%); 11 to 20 years 12% (2000: 15%); over 20 years 18% (2000: 14%).

(c) The Private Mortgage Pool is managed with the objective of providing investment returns higher than the Scotia Capital Universe Bond Index over the long term. The portfolio is comprised primarily of high-quality commercial mortgage loans and provincial bond residuals. In order to reduce risk, the pool only invests in loans insured by a federal agency and first-mortgage loans that provide diversification by property usage. As at December 31, 2001, mortgages held by the pool have an average effective market yield of 6.47 % per annum (2000: 7.27% per annum) and the following term structure based on principal amount: under 1 year 15% (2000: 8%); 1 to 5 years 17 % (2000: 27%); 6 to 10 years 22% (2000: 28%); 11 to 20 years 26% (2000: 23%); over 20 years 20% (2000: 14%).

(d) The Domestic Passive Equity Pooled Fund is managed on a passive approach with the objective of providing investment returns comparable to the Toronto Stock Exchange (TSE) 300 Index. The portfolio is comprised of both publicly traded Canadian equities and structured investments replicating the TSE 300 Index.

(e) The Canadian Pooled Equities Fund is managed with the objective of providing competitive returns comparable to the total return of the TSE 300 Index over a four-year period while maintaining preservation of participants' capital. The portfolio is comprised of publicly traded equities in Canadian corporations. Risk is reduced by prudent security selection and sector rotation.

(f) The External Managers Canadian Large Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities. Each portfolio is actively managed by an external manager with expertise in the Canadian large cap equity market. The performance objective is to provide investment returns higher than the total return of the TSE 300 Index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(g) The External Managers Canadian Small Cap Equity Pool consists of multiple portfolios of publicly traded Canadian equities with a market capitalization of up to 0.15% of the TSE 300 Index total market capitalization at time of purchase. Each portfolio is actively managed by an external manager with expertise in the Canadian small cap equity market. The performance objective is to provide returns higher than the total return of the TSE 300 Index over a four-year period and returns higher than the Nesbitt Burns Small Cap Index over the near term. Return volatility is reduced through multiple manager investment style and small market capitalization focus.

(h) The Private Equity Pool is in the process of orderly liquidation.

(i) The External Managers US Large Cap Equity Pool consists of multiple portfolios of publicly traded United States equities. Each portfolio is actively managed by an external manager with expertise in the US large cap equity market. The performance objective is to provide returns higher than the total return of the Standard & Poor's (S & P) 500 index over a four-year period. Return volatility is reduced through multiple manager investment style and large market capitalization focus.

(j) The External Managers US Passive Equity Pool consists of a single portfolio of publicly traded United States equities similar in weights to the S & P 500 Index. The portfolio is passively managed by an external manager with expertise in the US equity market. The performance objective is to provide investment returns comparable to the total return of the S & P 500 Index over a four-year period.

The US Passive Equity Pooled Fund is managed internally with the objective of attaining investment returns comparable to S & P 500 Total Return Index over a four-year period. The portfolio is comprised of publicly traded equities in the United States similar in weights to the S & P 500 Index. To enhance investment returns with no substantial increase in risks, the Pooled Fund also invests in futures, swaps and other structured investments.

(k) The External Managers US Mid/Small Cap Equity Pool consists of a single portfolio of publicly traded United States equities. The portfolio is actively managed by an external manager with expertise in the mid and small cap US equity markets. The performance objective is to provide returns higher than the total return of the Russell 2500 index over a four-year period.

(l) The External Managers EAFE Core and Plus Equity Pools consist of multiple portfolios of publicly traded Non-North American equities. Each core portfolio is actively managed by an external manager and has constraints on foreign currency management and deviations from the Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index asset mix by country. The EAFE Plus portfolios are actively managed by external managers with less constraints on country allocation, stock selection, currency management and investments in emerging markets. The performance objective is to provide investment returns higher than the total return of the MSCI EAFE Index over a four-year period. Return volatility is reduced through multiple manager investment style and market diversification.

(m) The External Managers EAFE Passive Equity Pool consists of a single portfolio of Non-North American publicly traded equities that replicate the MSCI EAFE index. The performance objective is to provide returns comparable to the total return of the MSCI EAFE index over a four-year period.

(n) The EAFE (Europe, Australia and Far East) Structured Equity Pooled Fund is internally managed with the objective of providing investment returns comparable to the total return of the MSCI EAFE Index. The pooled fund provides exposure to foreign markets in Europe, Australia and the Far East through the use of structured investments such as foreign equity index swaps. The pooled fund also invests in the Floating Rate Note Pool to generate the floating rate cash flows needed for its equity swap obligations.

(o) The Private Real Estate Pool is managed with the objective of providing investment returns higher than those attainable from the Russell Canadian Property Index over a four-year period or longer. Real estate is held through intermediary companies which have issued to the Pool common shares and participating debentures secured by a charge on real estate. Risk is reduced by investing in properties that provide diversification by geographic location, by property type and by tenancy. The Pool is intended to provide diversification from the securities market.

NOTE 4 INVESTMENT RISK MANAGEMENT

Fair values of investments are exposed to credit risk and price risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices.

Actuarial liabilities of the Plan are primarily affected by the long-term real rate of return on investments. In order to earn the best possible return at an acceptable level of risk, the Board has established a policy asset mix of 37% fixed income instruments and 63% equities. Investment risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments, and restrictions on amounts exposed to countries designated as emerging markets. Controls are in place respecting the use of derivatives (see Note 5). Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in a foreign currency (see Note 5).

NOTE 5 DERIVATIVE CONTRACTS

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates or currency rates. The Plan uses derivative contracts held indirectly through pooled investment funds to enhance return, manage exposure to interest and foreign currency risks, and for asset mix management purposes. The notional value of a derivative contract represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

A swap is a contractual agreement between two counter-parties to exchange a series of cash flows based on a notional amount. An equity or bond index swap involves the exchange of a floating interest rate cash flow for one based on the performance of a market index. For interest rate swaps, parties generally exchange fixed and floating rate interest cash flows based on a notional amount. Cross-currency interest rate swaps are contractual obligations in which the principal amounts of Canadian fixed-income securities denominated in foreign currency are exchanged for Canadian currency amounts both initially and at maturity. Over the term of the cross-currency swap, counter-parties exchange fixed to fixed and fixed to floating interest rate cash flows in the swapped currencies. There are underlying securities supporting all swaps. Leveraging is not allowed.

Foreign exchange contracts are agreements to exchange specified currencies at an agreed upon exchange rate and on an agreed settlement date in the future.

Stock futures contracts are agreements to receive or pay cash on an agreed settlement date based on changes in the level of a specified stock index in the future.

The following is a summary of the Plan's proportionate share of the notional amount and fair value of derivative contracts held by pooled funds at December 31, 2001:

	2001		2000	
	Notional Amount	Net Fair Value (a)	Notional Amount	Net Fair Value (a)
	($ thousands)			
Equity index swap contracts	$ 93,625	$ 3,515	$ 114,858	$ (711)
Bond index swap contracts	8,739	4	26,473	166
Interest rate swap contracts	27,472	(1,221)	28,074	(482)
Forward foreign exchange contracts	26,396	54	18,745	(1)
Equity index futures contracts	2,820	96	197	1
	159,052	$ 2,448	188,347	$ (1,027)
Cross-currency interest rate swap contracts (b)	68,626		92,055	
	$ 227,678		$ 280,402	

(a) The method of determining fair value of derivative contracts is described in Note 2 (f).

(b) Cross-currency interest rate swaps are valued as a package, which includes underlying securities. As at December 31, 2001, the combined value of cross-currency interest rate swaps and underlying securities amounted to $69,034,000 (2000 $92,860,000).

The notional amounts, upon which payments are based, are not indicative of the credit risk associated with derivative contracts. Current credit exposure is represented by the current replacement cost of all outstanding contracts in a favourable position (positive fair value). The Plan attempts to limit its credit exposure by dealing with counter-parties believed to have good credit standing.

All derivative contracts mature within one year except for bond index swaps, cross-currency swaps and interest rate swaps with a notional amount of $31,534,000 (2000 $78,595,000) that mature between 1 and 3 years and $24,837,000 (2000 $31,387,000) that mature over 3 years.

NOTE 6 ACCOUNTS RECEIVABLE

	2001	2000
	($ thousands)	
Contributions Receivable		
Employers	$ 851	$ 685
Employees	776	635
Province of Alberta	165	192
	$ 1,792	$ 1,512

NOTE 7 ACCOUNTS PAYABLE

	2001	2000
	($ thousands)	
Benefits and refunds	$ 10	$ 16
Administration expenses	(2)	49
	$ 8	$ 65

NOTE 8 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by William M. Mercer Limited and was then extrapolated by Hewitt and Associates to December 31, 2001. The 2000 valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. This estimate was, after consultation with the Plan's actuary, adopted by the Board.

The major assumptions used were:

	December 31	
	2001 Extrapolation %	2000 Valuation %
Investment return	7.0	7.0
Inflation rate	3.25	3.25
Salary escalation rate*	3.75	3.75
Pension cost-of-living increase as a percent of Alberta Consumer Price Index	60	60

* Excludes merit and promotion.

In accordance with the requirements of the Public Sector Pension Plans Act, a separate accounting is required of the pension liability with respect to service that was recognized as pensionable as at December 31, 1991. This information is provided in the Statement of Changes in Accrued Benefits, which shows the principal components of the change in the actuarial value of accrued benefits.

Based on the information provided above, the following table summarizes the actuarial value of net assets, accrued benefits, and the resulting deficiency of the Plan Fund as at December 31, 2001:

	2001			2000
	Pre-1992	Post-1991	Total	Total
		($ thousands)		
Plan Fund net assets available for benefits	$ 664,333	$ 340,878	$ 1,005,211	$ 1,039,055
Actuarial adjustment for fluctuation in fair value of net assets	16,667	8,521	25,188	(47,200)
Plan Fund actuarial value of net assets available for benefits	681,000	349,399	1,030,399	991,855
Plan Fund accrued benefits	745,537	353,390	1,098,927	1,037,000
Plan Fund actuarial deficiency	$ (64,537)	$ (3,991)	$ (68,528)	$ (45,145)

As at December 31, 2001, the Indexing Fund held investments of $7,245,000 (2000 $4,763,000) with offsetting accrued benefits of the same amount.

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ million)	Increase in Current Service Cost as a % of Pensionable Earnings *
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	$ 75.4	0.0%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	26.3	1.3%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	176.9	3.6%

* The current service cost as a % of pensionable earnings as determined by the December 31, 2000 valuation is 16.7%

NOTE 9 CONTRIBUTIONS

	2001	2000
	($ thousands)	
Current and optional service		
Employers	$ 15,625	$ 14,064
Employees	14,292	12,900
Unfunded liability		
Employers	1,279	1,165
Employees	1,279	1,165
Province of Alberta	2,132	1,924
Transfers from other plans	175	92
	$ 34,782	$ 31,310

NOTE 10 NET INVESTMENT (LOSS) INCOME

	2001	2000
	($ thousands)	
Net realized and unrealized (losses) gains on investments	$ (53,607)	$ 30,978
Derivative (loss) income	(12,184)	3,887
Interest income	26,367	31,600
Dividend income	11,816	5,755
Real estate income	2,616	2,281
Securities lending income	174	105
Pooled funds management and associated custodial fees	(1,033)	(798)
	$ (25,851)	$ 73,808

Net investment (loss) income is comprised of the following:

The following is a summary of the Plan's proportionate share of net investment (loss) income by type of investments:

	2001	2000
	($ thousands)	
Deposits and Fixed Income Securities	$ 29,527	$ 38,800
Canadian Equities	(20,229)	62,363
Foreign Equities		
United States	(11,170)	(9,175)
Non-North American	(27,663)	(21,185)
Real Estate	3,684	3,005
	$(25,851)	$ 73,808

NOTE 11 ADMINISTRATION EXPENSES

	2001	2000
	($ thousands)	
General administration costs	$ 587	$ 412
Investment management costs	169	177
Actuarial fees	41	69
	$ 797	$ 658

General administration costs including plan board costs were paid to Alberta Pensions Administration Corporation on a cost-recovery basis.

Investment management costs were paid to Alberta Revenue and do not include pooled funds management and associated custodial fees, which have been deducted in arriving at investment (loss) income (see Note 10).

Total administration expenses amounted to $192 per member (2000 $166 per member). The $26 per member cost increase in 2001 is attributed to the following factors: increase in business process reengineering cost $15, increase in operating cost $12, increase in plan specific cost $3, and decrease in investment management costs $4.

NOTE 12 REMUNERATION OF BOARD MEMBERS

Remuneration paid to or on behalf of board members, as approved by the Lieutenant Governor in Council, is as follows:

	Chairman	Members
Remuneration rate:		
Up to 4 hours	$ 146	$ 108
4 to 8 hours	249	179
Over 8 hours	395	281

	2001	2000
During 2001, the following amounts were paid:		
Remuneration		
Chair	$ 3,364	$ 3,702
Members (5)*	12,368	15,806
Travel expenses		
Chair	2,045	3,250
Members (6)	19,868	29,615

* Crown representative nominated by the Government of Alberta receives no remuneration.

NOTE 13 BUDGET INFORMATION

The accrued benefits are based on the Board's best estimates of future events after consultation with the Plan's actuary. Differences between actual results and management's expectations are disclosed as net experience gains and losses in the statement of changes in accrued benefits. Accordingly, a budget is not included in these financial statements.

NOTE 14 COMPARATIVE FIGURES

Comparative figures have been reclassified to be consistent with the 2001 presentation.

NOTE 15 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Board.

Schedule A

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN FIXED INCOME SECURITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 15,093	$ 21,886
Fixed Income Securities (a)		
Public		
Government of Canada, direct and guaranteed	81,071	85,532
Provincial		
Alberta, direct and guaranteed	1,098	1,114
Other, direct and guaranteed	72,894	72,058
Municipal	5,418	4,623
Corporate	108,546	121,185
Private		
Corporate	79,724	75,387
	348,751	359,899
Receivable from sale of investments and accrued investment income	3,793	4,615
Liabilities for investment purchases	(313)	(115)
	3,480	4,500
	$ 367,324	$ 386,285

(a) Fixed income securities held as at December 31, 2001 had an average effective market yield of 5.47% per annum (2000: 6.19% per annum). The following term structure of these securities as at December 31, 2001 is based on principal amount.

	2001	2000
	%	
under 1 year	5	6
1 to 5 years	33	36
6 to 10 years	29	28
11 to 20 years	14	16
over 20 years	19	14
	100	100

Schedule B

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN CANADIAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 4,398	$ 1,950
Public Equities (a) (b)		
Communications and media	13,653	14,848
Conglomerates	4,184	10,421
Consumer products	15,919	15,744
Financial services	69,039	50,202
Gold and precious minerals	8,644	8,091
Industrial products	52,108	79,511
Merchandising	9,856	8,058
Metals and minerals	12,151	11,074
Oil and gas	30,733	37,553
Paper and forest products	6,435	7,122
Pipelines	5,658	9,318
Real estate and construction	2,146	3,192
Transportation and environmental services	7,564	3,533
Utilities	18,165	21,740
	256,255	280,407
Passive index	3,270	716
	259,525	281,123
Private Equities	2,723	3,613
Receivable from sale of investments and accrued investment income	3,323	2,775
Liabilities for investment purchases	(1,466)	(950)
	1,857	1,825
	$ 268,503	$ 288,511

(a) The Plan's net investment in Canadian public equities includes the fair value of deposits and floating rate notes, totalling $47,251,000 (2000 $26,988,000) which are used as underlying securities to support the notional amount of Canadian equity index swap contracts.

(b) The industrial classifications are those used by the Toronto Stock Exchange indices.

Schedule C

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN UNITED STATES EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 602	$ 69
Public Equities (a) (b)		
Basic materials	6,745	6,611
Commercial services	4,859	4,105
Consumer cyclical	12,212	10,163
Consumer non-cyclical	12,918	11,641
Consumer services	9,478	8,075
Energy	10,978	10,783
Financial	31,946	32,001
Health Care	24,037	22,213
Industrials	6,306	5,824
Technology	31,644	35,116
Telecommunications	7,992	7,593
Transport	974	1,300
Utilities	3,567	5,797
	163,656	161,222
Receivable from sale of investments and accrued investment income	1,423	686
Liabilities for investment purchases	(278)	(2,089)
	1,145	(1,403)
	$ 165,403	$ 159,888

(a) The Plan's net investment in United States public equities includes the fair value of deposits and floating rate notes, totalling $41,748,000 (2000 $70,412,000), which are used as underlying securities to support the notional amount of US equity index swap contracts and futures contracts.

(b) The industrial classifications are those used by the Standard and Poor's indices.

Schedule D

SPECIAL FORCES PENSION PLAN
SCHEDULE OF INVESTMENTS IN NON-NORTH AMERICAN EQUITIES
DECEMBER 31, 2001

($ thousands)

	Plan's Share	
	2001	2000
Deposits and short-term securities	$ 3,806	$ 1,674
Public Equities (a)		
Country		
United Kingdom	39,238	34,823
Japan	26,516	36,037
France	17,570	17,816
Switzerland	11,272	11,814
Netherlands	11,264	10,439
Germany	10,956	13,681
Australia	5,931	4,991
Italy	5,607	6,899
Hong Kong	5,524	4,896
Spain	4,818	4,480
Sweden	3,052	4,857
Finland	2,941	4,168
Other	10,799	6,925
	155,488	161,826
Receivable from sale of investments and accrued investment income	1,730	588
Liabilities for investment purchases	(1,337)	(936)
	393	(348)
	$ 159,687	$ 163,152

(a) The Plan's net investment in Non-North American public equities includes the fair value of deposits and floating rate notes, totalling $6,441,000 (2000 $17,458,000), which are used as underlying securities to support the notional amount of Non-North American equity index swaps.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
FINANCIAL STATEMENTS
DECEMBER 31, 2001

Auditor's Report

Statement of Net Assets Available for Benefits and Accrued Benefits

Statement of Changes in Net Assets Available for Benefits

Notes to the Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Finance

I have audited the Statement of Net Assets Available for Benefits and Accrued Benefits of the Supplementary Retirement Plan for Public Service Managers as at December 31, 2001 and the Statement of Changes in Net Assets Available for Benefits for the year then ended. These financial statements are the responsibility of the Plan's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

James Hug CA
Acting Auditor General

Edmonton, Alberta
March 7, 2002

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED BENEFITS AS AT DECEMBER 31, 2001

($ thousands)

	2001	2000
Net Assets Available for Benefits		
Assets		
Cash and cash equivalents (Note 3)	$ 1,091	$ 450
Refundable income tax	1,231	552
Contributions receivable	17	11
	2,339	1,013
Liabilities		
Income tax payable	243	44
Other payables	77	90
	320	134
	2,019	879
Due from the SRP Reserve Fund (Note 4)	6,378	2,986
Net assets available for benefits	8,397	3,865
Accrued Benefits		
Actuarial value of accrued benefits (Note 5)	8,796	3,685
Actuarial (deficiency) surplus	$ (399)	$ 180

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED DECEMBER 31, 2001

($ thousands)

	2001	2000
Increase in assets		
Contributions		
Employers	$ 671	$ 429
Employees	671	429
Investment income	24	14
	1,366	872
Decrease in assets		
Benefits and refunds	9	-
Administration expenses (Note 6)	217	166
	226	166
	1,140	706
Increase in amounts due from the SRP Reserve Fund (Note 4)	3,392	2,218
Increase in net assets	4,532	2,924
Net assets available for benefits at beginning of year	3,865	941
Net assets available for benefits at end of year	$ 8,397	$ 3,865

The accompanying notes are part of these financial statements.

SUPPLEMENTARY RETIREMENT PLAN FOR PUBLIC SERVICE MANAGERS

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2001

NOTE 1 SUMMARY DESCRIPTION OF THE PLAN

The following description of the Supplementary Retirement Plan for Public Service Managers (the Plan) is a summary only. For a complete description of the Plan, reference should be made to sections 5, 7 and 98 of the Financial Administration Act, Chapter F-12, Revised Statutes of Alberta 2000 and the Retirement Compensation Arrangement Directive (Treasury Board Directive 01/99 and 04/99), as amended.

(a) General

The Plan was established on July 1, 1999 to provide additional pension benefits to certain public service managers of designated employers who participate in the Management Employees Pension Plan (MEPP) and whose annual salary exceeds $86,111, the maximum yearly pensionable earnings allowed by the federal Income Tax Act. The Plan is supplementary to the MEPP. Services under MEPP are used to determine eligibility for vesting and early retirement. A member's pension commencement date is the same under both Plans and the pension is payable in the same form. Members of MEPP who have attained 35 years of combined pensionable service are not eligible to participate in the Plan.

(b) Funding Policy

Current service costs are funded by employee and employer contributions which together with investment earnings, income tax refunds and transfers from the SRP Reserve Fund (see Note 4), are expected to provide for all benefits payable under the Plan. The contribution rates for designated employers equals or exceeds the rate for eligible employees. The contribution rates in effect in 2001 were unchanged at 7.75% of pensionable salary in excess of $86,111 for eligible employees and 7.75% for designated employers. The rates are to be reviewed at least once every three years by the Minister of Finance based on recommendations of the Plan's actuary.

(c) Benefits

The Plan provides a pension of 2.0% of pensionable earnings that are in excess of $86,111 for each year of pensionable service after July 1, 1999, based on the average salary of the highest five consecutive years.

Members are entitled to an unreduced pension on service if they retire with at least five years of combined pensionable service and have either attained age 60, or age 55 and the sum of their age and combined pensionable service equals 80. Pensions are reduced if the member is under age 60 and the 80 factor is not attained.

Disability, death, termination benefits and cost-of-living adjustments under this Plan follow those of MEPP.

(d) Guarantee

Designated employers guarantee payment of all benefits arising under the Plan. If assets held in the Plan are insufficient to pay for benefits as they become due, the amount due is payable by designated employers.

(e) Plan Surplus

The Government has the right to amend or discontinue the Plan in whole or in part at any time. Any assets remaining in the Plan after provision for benefits payable to or in respect of members on the complete wind-up of the Plan accrue to the Government.

(f) Income Taxes

The Plan is a Retirement Compensation Arrangement (RCA) account as defined in the Income Tax Act. Refundable income tax is remitted on any cash contributions from eligible employees and designated employers at the rate of 50%. Refundable income tax is returned to the Plan at the same rate when pension benefits payments are made to retired plan members, or when administration expenses exceed investment income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

(a) Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian generally accepted accounting principles. The statements provide information about the net assets available in the Plan to meet future benefit payments and are prepared to assist plan members and others in reviewing the activities of the Plan for the year.

(b) Valuation of Assets and Liabilities

Short-term securities included in cash and cash equivalents are valued at the year-end closing sale price or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Due to uncertainties about the timing of benefits and refunds payments, it is not practicable to estimate the fair value of refundable income tax. Refundable income tax is carried at cost.

The fair values of other receivables, accrued investment income and payables are estimated to approximate their book values.

(c) Income Recognition

Investment income is accrued as earned. Gains or losses on investments are recognized concurrently with changes in fair value.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objectives of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. As at December 31, 2001, securities held by the Fund have an average effective market yield of 2.24% per annum (2000: 5.99% per annum) and an average duration of 80.3 days (2000: 87.6 days).

NOTE 4 SUPPLEMENTARY RETIREMENT PLAN RESERVE FUND (SRP RESERVE FUND)

Designated employers guarantee payment of all benefits arising under the Plan (see Note 1 (d)). To provide for their future obligations to the Plan, designated employers contribute to a Reserve Fund at rates determined by the Plan's actuary. The rate in effect in 2001 was unchanged at 42.5% of pensionable salary of eligible employees that are in excess of $86,111.

The Reserve Fund is a regulated fund established and administered by the Government to collect contributions from designated employers and to invest the funds, which are reserved to meet future benefit payments of the Plan.

As at December 31, 2001, the Reserve Fund had assets with fair value totalling $6,378,000 (2000 $2,986,000), comprising $5,613,000 (2000 $2,786,000) in cash and cash equivalents (see Note 3) and $765,000 (2000 $200,000) in contributions receivable. Increase during the year totalling $3,392,000 (2000 $2,218,000) is attributed to contributions from employers $3,212,000 (2000 $2,139,000) and investment income $180,000 (2000 $79,000).

NOTE 5 ACCRUED BENEFITS

(a) Actuarial Valuation

An actuarial valuation of the Plan was carried out as at December 31, 2000 by Johnson Incorporated and was extrapolated to December 31, 2001. The valuation was determined using the projected benefit method prorated on service. The assumptions used in the valuation were developed as the best estimate of expected short-term and long-term market conditions and other future events. After consultation with the Plan's actuary, the Plan's management approved this best estimate.

The major assumptions used in the valuation were the same as those used for MEPP except the salary escalation assumption as follows:

	2001 Extrapolation %	2000 Valuation %
Asset real rate of return	4.25	4.25
Inflation rate	3.00	3.00
Investment rate of return	7.25	7.25
Salary escalation rate*	4.25	4.25
Pension cost of living increase as a percentage of Alberta Consumer Price Index	60.0	60.0

* Excludes merit and promotion.

The following statement shows the principal components of the change in the value of accrued benefits:

	2001 ($ thousands)	2000 ($ thousands)
Actuarial value of accrued pension benefits at beginning of year	$ 3,685	$ 908
Interest accrued on benefits	428	66
Benefits earned	4,506	2,147
Benefits and refunds paid	(9)	–
Net experience losses and changes in actuarial assumptions	403	730
Administration expenses	(217)	(166)
Actuarial value of accrued pension benefits at end of year	$ 8,796	$ 3,685

(b) Sensitivity of Changes in Major Assumptions

The Plan's future experience will inevitably differ, perhaps significantly, from the assumptions used in the actuarial valuation. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations and will affect the financial position of the Plan.

The following is a summary of the sensitivities of the Plan's deficiency and current service cost to changes in assumptions used in the actuarial extrapolation at December 31, 2001:

		Sensitivities	
	Changes in Assumptions %	Increase in Plan Deficiency ($ millions)	Increase in Current Service Cost as a % of Pensionable Earnings in excess of $86,111
Inflation rate increase holding nominal investment return and salary escalation assumptions constant	1.0%	0.7	3.5%
Salary escalation rate increase holding inflation rate and nominal investment return assumptions constant	1.0%	1.4	6.9%
Investment rate of return decrease holding inflation rate and salary escalation assumptions constant	(1.0%)	1.1	5.5%

* Sensitivities includes investment return of assets held by the SRP Reserve Fund (Note 4).

NOTE 6 ADMINISTRATION EXPENSES

Administration costs were paid to the Alberta Pensions Administration Corporation on a cost-recovery basis. Total administration costs of $217,000 (2000 $166,000) amounted to $389 (2000 $350) per member.

NOTE 7 BUDGET INFORMATION

The accrued benefits are based on management's best estimates of future events. Differences, if any, between actual results and management's expectations are disclosed as net experience gains and losses in Note 5(a). Accordingly, a budget is not included in these financial statements.

NOTE 8 RESPONSIBILITY FOR FINANCIAL STATEMENTS

These financial statements were prepared by management and approved by the Management Employees Pension Board.

ALPHABETICAL LIST OF GOVERNMENT ENTITIES' FINANCIAL STATEMENTS

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches (ATB Financial)	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities: Awasak Child and Family Services Authority Calgary Rocky View Child and Family Services Authority Child and Family Services Authority Region 13 Child and Family Services Authority Region 14 Diamond Willow Child and Family Services Authority Hearthstone Child and Family Services Authority Keystone Child and Family Services Authority Ma' Mowe Capital Region Child and Family Services Authority Metis Settlements Child and Family Services Authority Neegan Awas'sak Child and Family Services Authority Ribstone Child and Family Services Authority Sakaigun Asky Child and Family Services Authority Sakaw-Askiy Child and Family Services Authority Silver Birch Child and Family Services Authority Southeast Alberta Child and Family Services Authority Sun Country Child and Family Services Authority West Yellowhead Child and Family Services Authority Windsong Child and Family Services Authority	Children's Services

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	Ministry Annual Report
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCore Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science

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[1] Ministry includes only the department so separate financial statements are not necessary.

ENTITIES INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Ministry, Department, Fund or Agency	**Ministry Annual Report**
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation1	Transportation
N.A. Properties (1994) Ltd.	Alberta Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Community Boards Calgary Community Board Central Community Board Edmonton Community Board Northeast Community Board Northwest Community Board South Community Board	Community Development
Persons with Developmental Disabilities Foundations[2]	Community Development
Persons with Developmental Disabilities Michener Centre Facility Board	Community Development
Persons with Developmental Disabilities Provincial Board	Community Development
Provincial Judges and Masters in Chambers Reserve Fund	Finance
S C Financial Ltd.	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

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[2] Dissolved in June 2001.

ENTITIES NOT INCLUDED IN THE CONSOLIDATED GOVERNMENT REPORTING ENTITY

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement DistrictsI Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Alberta Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Universities Academic Pension Plan	Finance
Workers' Compensation Board, The	Human Resources and Employment

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